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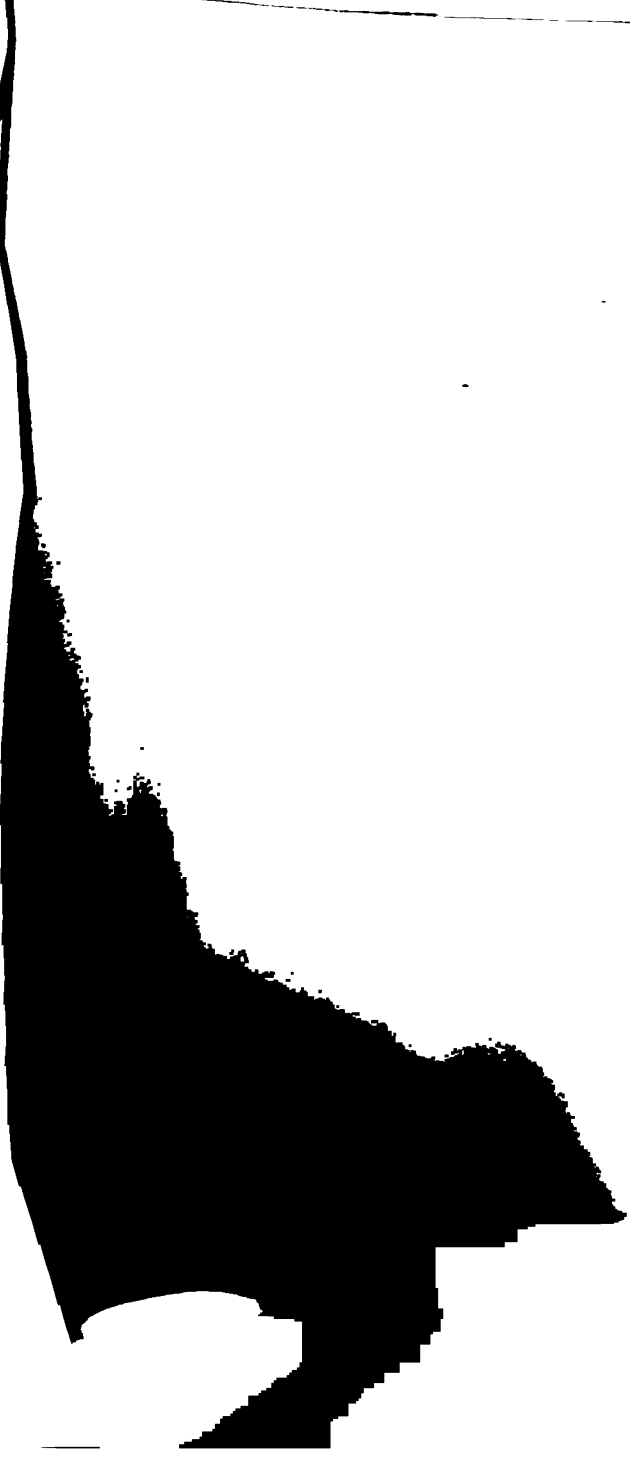

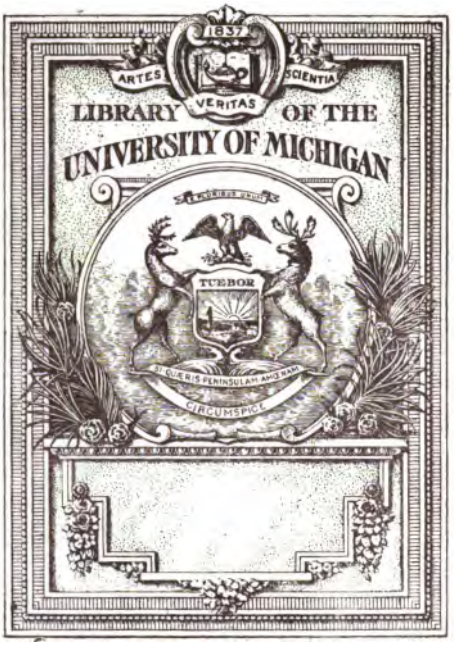
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# THE WORKERS AT WAR

BY

FRANK JULIAN WARNE

MANAGER INDUSTRIAL RELATIONS, UNITED STATES HOUSING CORPORATION

Author of "The Tide of Immigration," etc.

NEW YORK

THE CENTURY CO.

1920

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## MY CREED

I believe in the United States of America as a government of the people, by the people, for the people, whose just powers are derived from the consent of the governed; a democracy in a republic; a sovereign Nation of many sovereign States; a perfect Union, one and inseparable, established upon those principles of freedom, equality, justice, and humanity for which American patriots sacrificed their lives and fortunes. I therefore believe it is my duty to my country to love it; to support its Constitution; to obey its laws; to respect its flag; and to defend it against all enemies. — WILLIAM TYLER PAGE.

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I further am of the faith that each and all of these can best be realized through democracy in industry which will secure and assure to all the people a fair profit to the producer, a fair wage to the worker, and a fair price to the consumer.

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# THE WORKERS AT WAR

## CHAPTER I

### THE WORLD WAR AND DEMOCRACY

WHEN the Imperial German Army in August, 1914, moved like an avalanche through Belgium and Luxemburg into northern France there was no statesman sufficiently keen in discernment who would have prophesied America's participation in the conflict. Americans at first were only mildly interested in the event, believing it to be another of those numerous quarrels between European nations with which their traditions taught them they had no concern. They watched the developments of the first months of the war as detailed in the newspapers with little national concern; only as detached groups was interest manifested in expressions favorable to one side or the other as the fortunes of war shifted.

There were those in the nation who sympathized deeply with violated Belgium and its people. There were others, as had always been the case when France was threatened ever since the American Revolution, who felt deep concern for the safety and welfare of the French Republic and people. Still others were strongly pro-British in their traditions and sympathies. Russia was then still an Empire ruled over by the autocratic Czar and, because of its traditional antagonism to popular government and democratic movements, did not appeal in its war aims to any very large group among the American people. To Russia's war campaigns, however, were attached the feelings that accompanied the failure or success of her efforts as an ally of Belgium, France, and Great Britain. There was also

in America a large group in sympathy with the war aims of Germany and her allies. Most of these were immigrants from that country or their descendants in whose hearts still burned love of the Fatherland.

While this was true as to large groups in the United States it still also was true that at the beginning of the war, the great majority of Americans were not conscious of any fundamental concern in the conflict. They saw, at that time, none of their vital principles of government at stake; they perceived no danger threatening their cherished institutions; they were interested primarily only as spectators of world events. For so many years of their national existence had they kept hands off in quarrels between European states that they had no thought to intervene or become a participant. On the contrary, they had been taught, from the very first days of their existence as a nation, not to become involved in foreign entangling alliances. Washington, their first President, had warned them, and his successors had repeated the warning, that their security as a nation depended upon the observance of this principle of action. And for more than a century and a quarter they had consistently followed this precept.

This attitude undoubtedly would have continued to the end, had not events brought to them realization that their very independence and liberties were involved in the war's final outcome. Not alone through dynamite and bomb outrages in industrial plants in the United States by German sympathizers; by the insidious plotting of spies; by attempts to embroil Mexico in an attack upon the American people, but also and principally by the inhuman work of German submarines in sinking cargo and passenger vessels, and even hospital ships on the high seas, involving the lives and property rights of American citizens — was the attitude of the American people gradually changed from that of non-interference to one of growing concern as to their own safety as a nation and finally to that of active participation.

It is doubtful if the American people would have gone to

war even over the sinking of American vessels by German submarines as their Government is usually tolerant enough to give weight to the exigencies of war times. It is equally doubtful if proof of a conspiracy by officials of the Imperial German Government, to stir up the antagonism of a neighboring nation on the south, would of itself have caused America to declare war against the German Government. The dynamiting and bombing of industrial plants in this country, which were producing war munitions for the French, British and their allies, certainly would not of itself have driven America into the war; nor would the intrigues of German spies alone have had this effect.

Not a single one of the specific causes of complaint against Germany was of itself sufficient to cause the American people finally to take sides against the Central Powers. But each of these causes did supply convincing evidence that something more fundamental than the usual European quarrel between nations was at stake in the conflict. And this something more fundamental the American people slowly began to see was in reality a conflict between two great and vital principles of government — the principles of autocracy and of democracy. Without question it was because the American people were led finally to believe that democracy with its representative government was at stake that they entered the war.

This, in brief, is the explanation of the causes of the arrival of another fateful day just two years and eight months after the beginning of the Great War, when the American people directed their President and Congress to take the official action which threw them as an active participant into the vortex of the world war. On Monday, April 12, 1917, Congress, by joint resolution, declared "a state of war exists between the Imperial German Government and the Government and the people of the United States." The President was authorized and directed "to employ the entire naval and military forces of the United States and the resources of the Government to carry on war against the Imperial German Government; and

to bring the conflict to a successful termination all the resources of the country" were pledged.

Nothing stirred the soul of the nation with stronger appeal as an effective war cry than President Wilson's paraphrase of the object of the war—"The world must be made safe for democracy." "We are glad, now that we see the facts with no veil of false pretense about them," said the President in his address to Congress advising the declaration of war, "to fight thus for the ultimate peace of the world and for the liberation of its peoples, the German peoples included, for the rights of nations, great and small, and the privilege of men everywhere to choose their way of life and of obedience. The world must be made safe for democracy. Its peace must be planted upon the tested foundations of political liberty. We have no selfish ends to serve. We desire no conquest, no dominion. We seek no indemnities for ourselves, no material compensation for the sacrifices we shall freely make. We are but one of the champions of the rights of mankind. We shall be satisfied when those rights have been made as secure as the faith and the freedom of nations can make them."

Welcoming the Governors of the various States and representatives of State Councils of National Defense at the White House on May 2, 1917, the President said that the great task before the American people was to make good what the nation had promised to do—"go to the defense and vindication of the rights of people everywhere to live as they have a right to live under the very principles of our Nation."

In a communication to the provisional Government of Russia,[1] the purpose of which was to explain "the objects which the United States has had in mind in entering the war," the President said: "The position of America in this war is so clearly avowed that no man can be excused for mistaking it. She seeks no material profit or aggrandizement of any kind. She is fighting for no advantage or selfish object of her own, but for the liberation of peoples everywhere from the aggres-

[1] Published June 9, 1917.

sions of autocratic force." Further on in the communication the President said: "We are fighting for the liberty, the self-government and the undictated development of all peoples." Again he said: "The brotherhood of mankind must no longer be a fair but empty phrase; it must be given a structure of force and reality. The nations must realize their common life and effect a workable partnership to secure that life against the aggressions of autocratic and self-pleasing power."

"The great fact that stands out above all the rest," said President Wilson at the celebration of Flag Day on June 14, 1917, "is that this is a people's war, a war for freedom and justice and self-government amongst all the nations of the world, a war to make the world safe for the peoples who live upon it and have made it their own, the German people themselves included."

In virtually every address made by President Wilson following the formal declaration of war he aimed to interpret something of the spirit of the American people as to the object of their war against the Imperial German Government. In a Memorial Day address at the Arlington Cemetery near Washington on May 30, 1917, he said:

"Any Memorial Day of this sort is, of course, a day touched with sorrowful memory, and yet I for one do not see how we can have any thought of pity for the men whose memory we honor today. I do not pity them. I envy them, rather; because theirs is a great work for liberty accomplished and we are in the midst of a work unfinished, testing our strength where their strength has already been tested. There is a touch of sorrow, but there is a touch of reassurance also in a day like this, because we know how the men of America have responded to the call of the cause of liberty and it fills our minds with a perfect assurance that that response will come again in equal measure, with equal majesty, and with a result which will hold the attention of all mankind.

"When you reflect upon it, these men who died to preserve the Union died to preserve the instrument which we are now using to serve the world — a free Nation espousing the cause of human liberty. In one sense the great struggle into which

we have now entered is an American struggle, because it is in defense of American honor and American rights, but it is something even greater than that; it is a world struggle. It is the struggle of men who love liberty everywhere, and in this cause America will show herself greater than ever because she will rise to a greater thing. We have said in the beginning that we planted this great Government that men who wished freedom might have a place of refuge and a place where their hope could be realized, and now, having established such a Government, having vindicated the power of such a Government, we are saying to all mankind, 'We did not set this Government up in order that we might have a selfish and separate liberty, for we are now ready to come to your assistance and fight out upon the field of the world the cause of human liberty.' In this thing America attains her full dignity and the full fruition of her great purpose.

"No man can be glad that such things have happened as we have witnessed in these last fateful years, but perhaps it may be permitted to us to be glad that we have an opportunity to show the principles that we profess to be living principles that live in our hearts, and to have a chance by the pouring out of our blood and treasure to vindicate the thing which we have professed. For, my friends, the real fruition of life is to do the thing we have said we wished to do. There are times when words seem empty and only action seems great. Such a time has come, and in the providence of God America will once more have an opportunity to show to the world that she was born to serve mankind."

As the President linked our object in the war against Germany with the purpose of the men who fought to preserve the Union, so he as strikingly identified that object with the purpose of the men who fought to establish the Union. His Thanksgiving Day Proclamation in November, 1917, served, as did all his public utterances, to arouse and maintain steadfast loyalty to the Government in its prosecution of the war. In that Proclamation he said:

"We have been given this opportunity to serve mankind as we once served ourselves in the great day of our Declaration of Independence, by taking up arms against a tyranny that threatened to master and debase men everywhere and joining

with other free peoples in demanding for all the nations of the world what we then demanded and obtained for ourselves. In this day of the revelation of our duty not only to defend our own rights as a nation but to defend also the rights of free men throughout the world, there has been vouchsafed us in full and inspiring measure the resolution and spirit of united action." We are "in the midst of the greatest enterprise the spirits of men have ever entered upon. . . . A new light shines about us. The great duties of a new day awaken a new and greater national spirit in us. We shall never again be divided or wonder what stuff we are made of."

Speaking at the tomb of Washington at Mount Vernon on July 4, 1918, President Wilson said:

"Washington and his associates were thinking, not of themselves and of the material interests which centered in the little groups of landholders and merchants and men of affairs with whom they were accustomed to act, in Virginia and the colonies to the north and south of her, but of a people which wished to be done with classes and special interests and the authority of men whom they had not themselves chosen to rule over them. They entertained no private purpose, desired no peculiar privilege. They were consciously planning that men of every class should be free and America a place to which men out of every nation might resort who wished to share with them the rights and privileges of free men. And we take our cue from them, do we not? We intend what they intended. We here in America believe our participation in this present war to be only the fruitage of what they planted. Our case differs from theirs only in this, that it is our inestimable privilege to concert with men out of every nation which shall make not only the liberties of America secure but the liberties of every other people as well. We are happy in the thought that we are permitted to do what they would have done had they been in our place. There must now be settled once for all what was settled for America in the great age upon whose inspiration we draw today. . . .

"This, then, is our conception of the great struggle in which we are engaged. The plot is written plain upon every scene and every act of the supreme tragedy. On the one hand, stand the peoples of the world — not only the peoples actually engaged, but many others also who suffer under mastery but

cannot act; peoples of many races and in every part of the world — the people of stricken Russia still among the rest though they are for the moment unorganized and helpless. Opposed to them, masters of many armies, stand an isolated, friendless group of governments who speak no common purpose, but only selfish ambitions of their own by which none can profit but themselves, and whose peoples are fuel in their hands; governments which fear their people and yet are for the time their sovereign lords, making every choice for them and disposing of their lives and fortunes as they will, as well as of the lives and fortunes of every people who fall under their power—governments clothed with the strange trappings and the primitive authority of an age that is altogether alien and hostile to our own. The Past and the Present are in deadly grapple and the peoples of the world are being done to death between them."

President Wilson's ability to arouse the patriotic motives and impulses of the American people by linking the object for which they went to war against Germany with those of the historic events of their growth as a nation is again illustrated in his message to the farmers' conference in session at Urbana, Illinois, January 31, 1918. In that address he declared the object of the war in which we were engaged to be "the greatest that free men have ever undertaken"; "it was necessary for us as a free people to take part in this war"; America is fighting "as truly for the liberty and self-government of the United States as if the war of our own Revolution had to be fought over again"; "our national life and our whole economic development will pass under the sinister influence of foreign control if we do not win"; "America has the greatest opportunity she has ever had to make good her own freedom and in making it good to lend a helping hand to men struggling for their freedom everywhere"; "it was farmers from whom came the first shots at Lexington, that set aflame the revolution that made America free"; and "this great last war for the emancipation of men from the control of arbitrary government and the selfishness of class legislation and control."

President Wilson lost no opportunity early in the war to

state and re-state and reiterate the objects and purposes for which the United States entered the European conflict. In concise and clear-cut comparisons he identified our participation in the war as a part of the American struggle for independence and democracy and he constantly drew analogies between our purposes in the present conflict and those of the past by which the United States was established and preserved as a Republic. In the Presidential address at the joint session of the House and Senate on December 4, 1917, in which Congress was asked to declare war against Austro-Hungary, he said:

"For us this is a war of high principle, debased by no selfish ambition of conquest or spoliation; . . . we have been forced into it to save the very institutions we live under from corruption and destruction. The purposes of the Central Powers strike straight at the very heart of everything we believe in; their methods of warfare outrage every principle of humanity and of knightly honor; their intrigue has corrupted the very thought and spirit of many of our people; their sinister and secret diplomacy has sought to take our very territory away from us and disrupt the Union of the States. Our safety would be at an end, our honor forever sullied and brought into contempt were we to permit their triumph. They are striking at the very existence of democracy and liberty.

"It is because it is for us a war of high, disinterested purpose, in which all the free peoples of the world are banded together for the vindication of right, a war for the preservation of our nation and of all that it has held dear of principle and of purpose, that we feel ourselves doubly constrained to propose for its outcome only that which is righteous and of irreproachable intention, for our foes as well as for our friends. The cause being just and holy, the settlement must be of like motive and quality. For this we can fight, but for nothing less noble or less worthy of our traditions. For this cause we entered the war and for this cause will we battle until the last gun is fired."

Again in his address to the joint session of the House and Senate on January 8, 1918, among other things the President said:

"We entered this war because violations of right had occurred which touched us to the quick and made the life of our own

people impossible unless they were corrected and the world secured once for all against their recurrence. What we demand in this war, therefore, is nothing peculiar to ourselves. It is that the world be made fit and safe to live in; and particularly that it be made safe for every peace-loving nation which, like our own, wishes to live its own life, determine its own institutions, be assured of justice and fair dealing by the other peoples of the world as against force and selfish aggression. All the peoples of the world are, in effect, partners in this interest, and for our own part we see very clearly that unless justice be done to others it will not be done to us. The program of the world's peace, therefore, is our program; and that program, the only possible program, as we see it is this:"

Here the President presented his fourteen points or conditions for the termination of the war, and continuing said:

"We have spoken now, surely, in terms too concrete to admit of any further doubt or question. An evident principle runs through the whole program I have outlined. It is the principle of justice to all peoples and nationalities, and their right to live on equal terms of liberty and safety with one another, whether they be strong or weak. Unless this principle be made its foundation no part of the structure of international justice can stand. The people of the United States could act upon no other principle; and to the vindication of this principle they are ready to devote their lives, their honor, and everything that they possess. The moral climax of this the culminating and final war for human liberty has come, and they are ready to put their own strength, their own highest purpose, their own integrity and devotion to the test."

Not alone President Wilson but members of his Cabinet and other patriots also impressed upon the thoughts of the people that the one great outstanding object of the war was in behalf of threatened democracy. "We are fighting Germany because in this war feudalism is making its last stand against oncoming democracy," said Secretary Lane of the Interior in a speech before the Home Club of the Department of the Interior in Washington on June 4, 1917. "We see it now. This is a war against an old spirit, an ancient, outworn spirit. It is a war against feudalism — the right of the castle on the hill to rule the village

below. It is a war for democracy — the right of all to be their own masters. Let Germany be feudal if she will, but she must not spread her system over a world that has outgrown it. Feudalism plus science, thirteenth century plus twentieth, this is the religion of the mistaken Germany that has linked itself with the Turk, that has, too, adopted the method of Mahomet — 'The State has no conscience'; 'The State can do no wrong!'"

## CHAPTER II

### DEMOCRACY AND THE AMERICAN WORKINGMAN

A CLEAR conception of the American workingman and of his environmental conditions must be had if we are to understand the effect upon him of the appeals in which the war against the Imperial German Government was represented as being a continuation of America's traditional struggle for democracy.

This workingman is not a product of nor is he encompassed about by the environment of the large city. The typical American workingman lives in the smaller cities — those with a population of 200,000 and less. He has either been born there or has moved into it from his nearby birthplace in some still smaller town or village or probably from the farm. He has not traveled much nor far from his place of birth. Census statistics show that fifty-seven out of every one hundred of our urban population are born in the State of their residence, only nineteen out of every one hundred in some other State and many of these nearby in adjoining States, and twenty-three in some foreign country. It may be that the parents of this typical workingman were born in Germany or England or Ireland or Scotland or one of the Scandinavian countries but as a rule he himself is native to the soil of the State in which he resides; or if, as in some instances, he himself is among those born abroad he immigrated with his parents at an age too young to have retained impressions of his foreign place of birth strong enough to make him very much different from the native workingman alongside of whom he is employed.

Although of poor parentage and poor himself, economically, either he has attended or his children are at present attending

the public school. Neither he nor his children progress so far as graduation, leaving about the thirteenth or fourteenth year of age "to go to work" to assist the family income. But even with his meager schooling he is usually able to read and write and, what is of greater importance, the influence of the democracy of the public school has brought his mind in touch with — has not left him in complete ignorance of — the outstanding events of American history. It has brought into the family life words and phrases from the sayings and teachings of the school histories as to the Declaration of Independence, the Revolutionary War, the Constitution of the United States, the Emancipation Proclamation, Lincoln's Gettysburg address, and of speeches of other great men with regard to the preceding eras of America's struggles to establish political, religious, educational, and social democracy.

Of course the American workingman does not understand all these in their details and as to every phase of their significance and refinement of understanding, but he can grasp in broad outline the meaning of the striving of the American people for political and civil liberty and freedom and independence from autocratic government. He is assisted in this by the public observance of Washington's and Lincoln's Birthdays, Independence Day and Memorial or Decoration Day, the celebration of which are nearly always accompanied by the reading of some historical document and the delivery of a patriotic address by some local celebrity. That all this has substance and is not mere words is supported by the fact that in many a workingman's humble home will be found hung on the walls a newspaper supplement reproduction of the likeness of Washington or Lincoln or Roosevelt, and not infrequently similar evidence of some great historical event, such as the Declaration of Independence, or of Lincoln's Gettysburg address, or the Stars and Stripes ornamenting one of America's patriotic songs. The worker is also brought into contact with the principles of political democracy by the broad social environment of his immediate neighborhood, such as his exercise

of the duties of citizenship, in his relation to the political parties, as a member of some religious denomination, and through the town meeting, public lectures, and the like.

This is not the picture of the American workingman found portrayed in the minds of those who are readers of the accounts of labor disturbances as reported in the large city newspaper, or who conceive of this workingman as a dweller in our larger cities and concentrated industrial centers. Instead, these have the picture of an ignorant and a discontented worker led by self-seeking, radical agitators who are striving for the overthrow of orderly government and whose whole concern is the stirring up of trouble and antagonisms between the worker and his employer — a picture of a lawless participant in strikes and lockouts and their accompanying disorders and disturbance of the peace. This particular city worker does exist, usually concentrated near his place of employment in large numbers in the poorer and unsanitary "slum" section. Generally he is of foreign birth and has only recently arrived in the United States from Italy, Russia or Austro-Hungary, or possibly a few years earlier from Ireland, Germany, England or the Scandinavian countries. His environmental conditions, both those before he immigrated and those he has been forced to live under since his arrival in America, have not been such as to bring him into sufficiently close contact with the influences of democracy so as to imbue him with loyalty to those principles which punctuate America's historic struggles as a nation. But this foreign-born worker in the United States, although in the aggregate numbering more than ten million, is not the typical American workingman.

The point it is desired to stress without going too much into detail in identifying this workingman is that his surroundings have been and are such as to make him receptive to expressions of ideas that have to do with rights and justice and liberty and freedom and independence and self-government and democracy. This mental receptivity and these concepts had received expression from him, long before the war against Germany, in

the formation of the labor union for securing and protecting his industrial "rights." Not all American workingmen, it is true, are members of the trade or labor union but millions of them are. In ever-growing numbers, accompanying the rapid development in the United States since the early eighties of the last century of concentrated and monopolized production, they have been organizing to such an extent that at the outbreak of the European war there were in existence about one hundred and twenty national and international unions (the latter usually including also workers in Canada) and eight hundred and eighty-four federal unions, with their thousands of State, district, city, and local unions comprising a membership in excess of 4,500,000. All these unions, with the exception of the four railroad brotherhoods whose members are engaged in the operation of trains, had become federated in the American Federation of Labor.

This is a movement of native workers primarily, and into these organizations the mass of workingmen have instilled the very essence of the principles of representative government — the instrument of political democracy. Their membership generally includes without discrimination all workers engaged in a particular craft or trade, although organization by industry rather than by occupation has shown the stronger tendency in recent years. The officers are elected annually by majority vote of members in good standing, and are retained in power upon representative principles. In the final analysis the determination of all questions of principles and policies is in the hands of the rank and file. Though managing or directing authority is necessarily delegated to administrative officials and committees, it is only for a short period of time. All power rests with the members in their collective capacity. To them every great issue affecting the objects and purposes for which they are organized is referred sooner or later for final decision. Every union holds a national convention, usually once a year, but in some cases only every two years, to which delegates are elected by the locals upon a proportional representative basis, that is, one dele-

gate is elected for every one hundred or two hundred and so on as the case may be, of fully paid-up members. This national convention is the supreme legislative authority of the organization — it can even change or amend the union's constitution. On the question of a strike — the suspension of employment until specified grievances are remedied or demands granted — most unions provide for a vote of the individual membership by means of a secret ballot; others vest the authority to call a strike with the executive committee or board.

Not all labor unions have the same constitution, or the same kind of an organization in details, but most of them employ the same methods for attaining their objects. While the formal expression of principles and the character of organization differ, as do those of different churches in the formulation and expression of their religious belief, all labor unions are working towards the same identical end just as all religions aim for the same goal. And this end — the fundamental object of the existence of the labor union — is to secure to the American workingman individual rights and economic justice in the production, distribution, and consumption of wealth: in brief, the end is the establishment of industrial democracy.

Although this purpose is expressed differently by different unions it usually takes the form of demands for wages high enough to enable the worker to conform to the American standard of living; reasonable hours of employment (usually the eight hour day and the forty-four hour week); the Saturday half holiday; observance of well recognized holidays; greater safety to life and limb in hazardous occupations; better sanitary protection to health; provision for disability and old age; prohibition of child labor; reasonable guarantee against unemployment; regulation of apprentices for the protection of the older and more skilled workers; out-of-work, sickness, and death benefits; weekly payment of wages in lawful money (directed against the system of paying employes in orders on the "company store" and the use of scrip by the employer as money); recognition of the labor union by employers; the

establishing of machinery for joint or collective bargaining between representatives of the employers and the union as to terms and conditions of employment, and so on.

All these and other specific demands of the workers represent a modern Magna Charta of industrial rights formulated by the toiler in America for the distinct and conscious purpose of establishing for himself and his descendants the inalienable right to the enjoyment of at least a comfortable physical standard of living in return for the service he renders to society in the production of the material necessities of life. It was for this principle — for these specific things — that the American workingman was fighting in his own country and in a protracted and desperate struggle at the very time of the entrance of the United States as a participant in the European war. This worker knew from hard personal experience all that the denial of these industrial rights meant to him and his family. He knew, too, and also from personal experience, of the damaging effects upon his civil and political rights of the principles and practices of industrial feudalism and autocracy in his own native land.

That this fairly summarizes the situation in our industries generally at the outbreak of the European war is not mere say-so or opinion. It is based upon innumerable, incontrovertible facts gathered by impartial government commissions of investigation. Let us take the question of wages for illustration. Facts in abundance are presented in the report of the commission appointed by the Director General of the United States Railroad Administration immediately upon the National Government taking over the control and operation of the railroads in December, 1917. Demands for increases in wages had been presented to the railway corporations by their employes, and this commission made an investigation of the compensation of persons engaged in railroad service, the relation of railroad wages to wages in other industries, the conditions respecting wages in different parts of the country, the special emergency respecting wages which existed at the time

owing to war conditions and the high cost of living, as well as the relation between different classes of railroad labor. The economic welfare of 2,000,000 workers — of 10,000,000 people — was involved. The specific question the commission set itself to answer was this: "What does fair dealing at this time require shall be done for these people who are rendering an essential service to the Nation in the practical conduct of this industry?"

And here is the commission's answer:

"It has been a somewhat popular impression that railroad employes were among the most highly paid workers. But figures gathered from the railroads dispose of this belief. Fifty-one per cent. of all employes during December, 1917, received $75 per month or less; and 80 per cent. received $100 per month or less. Even among the locomotive engineers, commonly spoken of as highly paid, a preponderating number receive less than $170 per month, and this compensation they have attained by the most compact and complete organization, handled with a full appreciation of all strategic values. Between the grades receiving from $150 to $250 per month, there is included less than 3 per cent. of all the employes (excluding officials) and these aggregate less than 60,000 men out of a grand total of 2,000,000.

"The greatest number of employes on all the roads fall into the class receiving between $50 and $65 per month, 181,693, while within the range of the next ten dollars in monthly salary there is a total of 312,761 persons. In December, 1917, there were 111,477 clerks receiving annual pay of $900 or less. In 1917 the average pay of this class was but $56.77 per month. There were 270,855 section men whose average pay as a class was $50.31 per month; 121,000 other unskilled laborers, whose average pay was $58.25 per month; 130,075 station service employes, whose average pay was $58.57 per month; 75,325 road freight brakemen and flagmen, whose average pay was $100.17 per month; and 16,455 road passenger brakemen and flagmen, whose average pay was $91.10 per month.

"These, it is to be noted, are not prewar figures; they represent conditions after a year of war and two years of rising prices. And each dollar now represents in its power to purchase a place in which to live, food to eat, and clothing to wear, but 71 cents as against the 100 cents of January 1, 1916."

So much for the question of wages. How about hours of work and other conditions and terms of employment?

With the American workingman a standard working day of reasonably limited length that will not overtax the physical strength of the worker is as much a part of industrial justice as is his conception of and insistence upon a wage that will supply himself and his family with the necessaries and some of the comforts of living. In not a few industries he has succeeded, only through years of struggle and by means of the power of organization, however, in establishing the eight hour day as the standard, receiving overtime payment in emergencies requiring longer hours. But in many industries longer hours than eight a day is the practice.

To establish the eight hour day among the 70,000 men employed in the lumber industry of the Pacific Northwest a strike was declared in that industry just prior to our entrance into the European war. It was virtually the only industry on the Pacific coast in which this standard of working hours did not prevail. The employers opposed the movement with all the power at their command, even to the extent of binding themselves by an agreement to discriminate against all mills introducing the eight hour day. The men had gone out on strike early in the summer of 1917 but were defeated, with ensuing unrest and dissatisfaction and smouldering hatreds which are never conducive to personal efficiency or coöperative plant production.

The living and working conditions of the men in the lumber industry were anti-social and even uneconomic from the employers' point of view, the unlivable conditions of many of the lumber camps being inconceivable to any liberty loving American who had not actually seen them. Abuses affecting the individual health as well as the personal well being of the workers were widespread. Intermittent employment was general, as reflected in the fact that the turn-over of labor each year in the industry was as high as 600 per cent. Largely because of the working conditions surrounding their employ-

ment nine out of every ten workers were "womanless, voteless, and jobless." A little imaginative interpretation of this quotation pictures a man wholly free from the very essentials of good citizenship — his conditions of employment do not fit him to take his place in a democracy.

These employers bitterly opposed any and all efforts to organize the men into unions and this attitude, in the words of the President's Mediation Commission, "has reaped for them an organization of destructive rather than constructive radicalism. The I. W. W. (Industrial Workers of the World) is filling the vacuum created by the operators. The red card is carried by large numbers throughout the Pacific Northwest. . . . The hold of the I. W. W. is riveted instead of weakened by unimaginative opposition on the part of employers to the correction of real grievances."

It was the absence of the practice of principles of industrial democracy as well as its counterpart — the presence of autocracy — that was also largely responsible for unrest in the Chicago meat packing industry. There the very essence of industrial democracy — machinery for joint bargaining between representatives of employes and employers as to terms and conditions of employment — was lacking. "The chief source of trouble comes from lack of solidarity and want of power on the part of the workers to secure redress of grievances because of the systematic opposition on the part of the packers against the organization of its workers," says the report of the President's Mediation Commission. "The strike of 1903 destroyed the union, and for fourteen years the organization of the yards has been successfully resisted. In 1917 effective organization again made itself felt, so that by the end of the year a sizable minority, variously estimated from 25 to 50 per cent., was unionized." In December of 1917 a strike radiating out from Chicago threatened the meat-packing industry of the entire country. The issues affected upward of 100,000 men.

"It is a commonplace of trade union experience that an organized compact minority can control the labor situation in

an industry. The union leaders felt, and rightly felt, therefore, that their demands had the effective backing of a potential strike. More important than any of the specific grievances, however, was the natural desire to assert the power of the union by asking the packers for union recognition, at least to the extent of a meeting between the packers and the representatives of the union. This the packers refused to do. They refused to meet eye to eye with the union leaders because of distrust of those leaders." [1]

Aside from the question of recognition of the union the two specific grievances involved were low wages and long hours. Two wage increases had been granted during 1917, largely in an endeavor to forestall union activity, but even with these increases the wage scales, particularly for the great majority of the unskilled workers, were inadequate in contrast with the increased cost of living. The belief on the part of the employes that the companies had been making excessive profits notwithstanding Government regulation of the prices of meats and other packing house products also influenced the workers in demanding higher wages.

The Pacific Coast telephone dispute also involved recognition by the employers of the principal instrumentality of industrial democracy — the organization of the employes. Because of failure in this direction a tie-up of the telephone system of the entire Pacific Coast was threatened for several months, which would have affected a vast net-work of industry stretching over a wide territory in California, Oregon, Washington, Idaho, and Nevada. The strike actually did become effective in Washington and Oregon in November, 1917.

The particular phase of union recognition involved in the telephone strike was that of girl employes of the corporation. There was already in existence a union of the electrical mechanics of the company and with this organization the company's officials had entered into collective bargaining agreements. With this union of the men the nine thousand girl

[1] Report of the President's Mediation Commission.

employes, principally operators, desired to affiliate. The union men employes supported this demand of the girls. It was the refusal by the officials of the telephone company to permit its girl employes to affiliate with the men's union that precipitated the issue and culminated in the strike that partly tied up the service. There was also a demand for an increase in wages to the men employes as these wages had remained stationary since 1913 while the cost of living had greatly increased. A demand for a closed shop, by which only members of the union would be employed by the company, was later modified into the expression of a desire for a preferential shop.

In the California oil fields the specific demands of unionized employes in 1917 were for an eight-hour day and a minimum daily wage of four dollars, while at the same time complaint was made against discrimination in employment by employers because of union membership. About 18,000 men, English-speaking and nearly all Americans, a large proportion highly skilled, were affected. The union had about 10,000 members. These men produced from the oil fields of southern California about 8,000,000 barrels of oil a month — one-third of the total oil production of the country. Ownership of almost the entire output is concentrated in the monopoly control of eleven corporations.

These illustrations from the railway, lumber, meat packing, telephone, and oil producing industries call attention to specific issues of industrial democracy involved in labor controversies which the American workingman through his union was fighting to secure. But just as the war "to make the world safe for democracy" had to be fought against specific practices of political autocracy as represented in the Imperial German Government that should be utterly annihilated from the face of the earth, so the American workingman in order to secure industrial democracy at home found himself fighting against the practices of industrial autocracy of employers in his own country. Not only was he fighting for something that was worth while but he was also fighting against something that had first to be

destroyed or made ineffective before his rights could be secured and made secure. He was being denied the enjoyment of the very things that gave to democracy its real meaning. The American workingman had been experiencing for years not only the injurious effects of the refusal of autocracy in industry to grant to him his industrial rights but he was also the victim of innumerable acts on the part of representatives of this autocracy that resulted in actually depriving him of his guaranteed civil and political rights. Two instances of these overt acts occurred early in the beginning of the European war. One is known as the "Mooney Case" and the other as the "Bisbee Deportations."

## CHAPTER III

### INDUSTRIAL AUTOCRACY AND THE WORKERS

WHILE a preparedness parade was in early progress in San Francisco on July 22, 1916, an explosion occurred in one of the city's side streets filled with the paraders and the public which resulted in six people being killed outright and some forty injured, of which latter four subsequently died. "Without question the explosion was murder designed on a large scale," says the report of President Wilson's Mediation Commission which was directed some months later [1] to make an investigation of the facts, "and indisputably a most heinous crime had been committed." Subsequent developments leading to identification of the perpetrators resulted in the arrest of four men and one woman, and later in the conviction of a youth named Billings and Thomas J. Mooney, the latter on the charge of murder in the first degree. Billings was sentenced to the penitentiary for life and Mooney to be hanged.

The significance of this lies in the fact that Mooney was a prominent labor leader of the more radical workers on the Pacific Coast. His reputation was that of an associate of professed anarchists, a believer in "direct action" as the remedy of the workers' grievances, and he had once before been indicted, although acquitted after three trials, on the charge of attempting to dynamite the property of a public utility corporation of San Francisco. He had led an unsuccessful attempt in 1916 to organize the employes of the United Railroads of that city. In these and other ways Mooney had secured the bitter and determined antagonism of the employers in San

[1] The Commission reported to the President under date of January 16, 1918.

Francisco and it was through the efforts of detectives of these employers that Mooney was arrested and charged with the dynamiting crime. It was on evidence submitted by these detectives, which later was brought into serious doubt as to its reliability, that Mooney was convicted.

Instead of a case of simple justice before the court for the sifting of evidence and the ascertainment beyond a question of a doubt of the guilt or innocence of the accused, the Mooney case became a cause of increasing widespread unrest and agitation among the workers and of growing hostility between employes and employers, not only on the Pacific Coast but also throughout the greater part of the country. Mass meetings and public parades of protest over his conviction were held by the workers and their sympathizers and petitions and demands for a new trial poured into the courts, the legislature, and the governor of California and even into Congress and the President of the United States. "Just as Mooney symbolized labor for all the bitter opponents of organized labor," says the Commission's report, "so he came to symbolize labor, irrespective of his personal merits, in the minds of workers and of their sympathizers. The 'Mooney case' soon resolved itself into a new aspect of an old industrial feud." It even grew into a question of international importance through meetings of workers in Russia declaring in resolutions that the professions of the United States in behalf of world democracy would have more influence with the Russians if the Government of the United States insisted upon democracy at home. The public generally came to believe that because of the circumstances surrounding Mooney's prosecution and conviction, and especially because of his prominence as a labor leader, "the terrible and sacred instruments of criminal justice were consciously or unconsciously made use of against labor by its enemies in an industrial conflict." The Commission further said: "The feeling of disquietude aroused by the case must be heeded, for if unchecked, it impairs the faith that our democracy protects the lowliest and even the unworthy against false accusations. War

is fought with moral as well as material resources. We are in this war to vindicate the moral claims of unstained processes of law, however slow at times, such processes may be. These claims must be tempered by the fire of our own devotion to them at home."

The "Bisbee Deportation," also reported upon by the President's Mediation Commission, is another illustration of the practices of industrial autocracy in America. It was a consequence of a strike in June, 1917, in the copper mining districts of Arizona, which produce about one-fourth of the entire copper output of the United States. The principal demands of the employes are stated as follows in the report of the Commission:

"While not expressed in so many words, the dominant feeling of protest was that the industry was conducted upon an autocratic basis. The workers did not have representation in determining those conditions of their employment which vitally affected their lives as well as the company's output. Many complaints were, in fact, found by the commission to be unfounded, but there was no safeguard against injustice except the say-so of one side to the controversy. In none of the mines was there direct dealing between companies and unions. In some mines grievance committees had been recently established, but they were distrusted by the workers as subject to company control, and, in any event, were not effective, because the final determination of every issue was left with the company. In place of orderly processes of adjustment workers were given the alternative of submission or strike.

"The men sought the power to secure industrial justice in matters of vital concern to them. The power they sought would in no way impinge on the correlative power which must reside in management. Only by a proper balance of adequate power on each side can just equilibrium in industry be attained. In the minds of the workers only the right to organize secured them an equality of bargaining power and protection against abuses. There was no demand for a closed shop. There was a demand for security against discrimination directed at union membership. The companies denied discrimination, but refused to put the denial to the reasonable test of disinterested adjustment.

"The men demanded the removal of certain existing griev-

ances as to wages, hours, and working conditions, but the specific grievances were, on the whole, of relatively minor importance. The crux of the conflict was the insistence of the men that the right and the power to obtain just treatment were in themselves basic conditions of employment, and that they should not be compelled to depend for just treatment on the benevolence or uncontrolled will of the employers."

On July 12, 1917, within less than three weeks from the calling of the strike, occurred the forcible deportation of striking employes from the Warren district to a point outside the State of Arizona which startled into indignation the feeling of justice and of liberty of the American people. Briefly the facts are these: The sheriff of Cochise county, in which is located the mining town of Bisbee, had requested, through the Governor of the State, the despatching of federal troops to preserve order, the State militia having previously been drafted into federal service. But upon separate investigations on two different occasions by a representative of the War Department the situation was found so peaceful as not to justify the presence of troops. Says the report of the President's Mediation Commission:

"Early in the morning of July 12, the sheriff and a large armed force presuming to act as deputies under the sheriff's authority, comprising about 2,000 men, rounded up 1,186 men in the Warren district, put them aboard a train, and carried them to Columbus, New Mexico. The authorities at Columbus refused to permit those in charge of the deportation to leave the men there, and the train carried them back to the desert town of Hermanas, New Mexico, a nearby station. The deportees were wholly without adequate supply of food and water and shelter for two days. At Hermanas the deported men were abandoned by the guards who had brought them and they were left to shift for themselves. The situation was brought to the attention of the War Department, and on July 14 the deportees were escorted by troops to Columbus, New Mexico, where they were maintained by the Government until the middle of September.

"According to an Army census, of the deported men 199 were native-born Americans, 468 were citizens, 472 were regis-

tered under the selective-draft law, and 433 were married. Of the foreign-born, over twenty nationalities were represented, including 141 British, 82 Serbians, and 179 Slavs. Germans and Austro-Hungarians (other than Slavs) were comparatively few.

"The deportation was carried out under the sheriff of Cochise county. It was formally decided upon at a meeting of citizens on the night of July 11, participated in by the managers and other officials of the Copper Queen Consolidated Mining Company (Phelps-Dodge Corporation, Copper Queen division) and the Calumet and Arizona Mining Company. Those who planned and directed the deportation purposely abstained from consulting about their plans either with the United States attorney in Arizona, or the law officers of the State or county or their own legal advisers.

"In order to carry out the plans for the deportation into successful execution, the leaders in the enterprise utilized the local offices of the Bell Telephone Company, and exercised or attempted to exercise a censorship over parts of interstate connections of both the telephone and telegraph lines in order to prevent any knowledge of the deportation reaching the outside world.

"The deportation was wholly illegal and without authority in law either State or Federal.

"Following the deportation of the twelfth, in the language of Governor Campbell of Arizona, 'the constitutional rights of citizens and others have been ignored by processes not provided by law, viz.: by deputy sheriffs who refused persons admittance into the district and the passing of judgment by a tribunal without legal jurisdiction resulting in further deportations.'

"Immediately after the first deportation, and until late in August, the function of the local judiciary was usurped by a body which to all intents and purposes was a vigilance committee, having no authority whatever in law. It caused the deportation of large numbers of others. So far as this committee is concerned, its activities were abandoned at the request of the Governor of Arizona late in August.

"Among those who were deported from the district and who thereafter were arrested in seeking entrance into it were several who were registered under the selective-draft law and sought to return or remain in the district in order to discharge their legal duty of reporting for physical examination under the draft."

The American workingman had reason to know that Prussianism was not operating in the German Empire alone or, since the beginning of the war, in Belgium and France alone. He saw it entrenched in almost impregnable strongholds in many industries in the United States. He recognized it even in its many disguises. The autocracy of the "Bisbee Deportations" served to add fuel to the flames raging over the controversy in the "Mooney Case," which was then at its height, and together these aroused in the labor world such a storm of protest as was probably never before experienced in the history of this country. No German Kaiser or Russian Czar, even at the summit of his exercise of autocratic power, ever attempted a greater usurpation of the exercise of sovereignty.

The personal experience of the American workingman engaged in industrial pursuits in mine and mill and factory and plant over a period of years preceding the beginning of the European war, and especially after the development of control of industry by the corporation since the eighties, has been such as to make him acquainted in a very intimate way with the effects of the exercise of autocratic power. He had for years been denied the right to have anything to say as to the amount of the money wages he was to receive for the work he performed, or even as to the form in which he received these wages, not infrequently being paid in "orders" on the "company" store. He had been denied participation in determining how many hours a day he must work for those wages. In brief, all the conditions of employment under which he labored for a livelihood had been determined arbitrarily and autocratically by the employer. And when the exactions of the employing class became unbearable and the workingman attempted to organize with other workmen in a union for their mutual protection, he was denied even this right of association.

The American workingman, then, knew autocracy, and he could recognize its acts when he saw them committed, whether these commissions were by the German Government in sinking

American vessels on the high seas or by the industrial corporation engaged in the forcible deportation of American citizens who had gone on strike for their industrial rights. And it so happened that the American workingman was engaged in a struggle against the exercise of its autocratic powers by the corporation within the United States at the very time he was being called upon by the President of the United States to fight autocracy in Europe as represented by the acts of the German Government.

This is why it is that the appeals of President Wilson, in which he personified the war against the Imperial German Government merely as another phase of the age-long warfare in behalf of democracy, struck a responsive chord in the mind and heart of the American workingman. The President's terms were familiar terms, whether they were those denouncing autocratic acts and usurpations or those that belonged to the vocabulary of democracy; and the American workingman could understand their meaning. They sank deep into his inner consciousness and moved the springs of his action. They enlisted him whole-heartedly in America's cause and they bound him irrevocably to the successful prosecution of the war. And in this one thing — in welding to the prosecution of the war the enthusiastic support of the workingmen of America — more than by any other single line of conduct President Wilson assured the winning of the war. For without this whole-hearted support of the American workingman the war could not have been won for democracy.

President Wilson did more, however, than merely point out the close relation between the objects of democracy and the purpose of the American people in the war. He linked with the latter the struggle the American workingman himself was making in his own country against anti-democratic tendencies in his own sphere of daily existence. Not only did the President link these separate struggles as one directed towards identical ends but he also signified his support of the one as of the other. Addressing the Labor Committee of the Council of

National Defense at the White House on May 15, 1917, the President said:

"I have been very much alarmed at one or two things that have happened, at the apparent inclination of the legislatures of one or two of our States to set aside even temporarily the laws which have safeguarded the standards of labor and of life. I think nothing would be more deplorable than that. We are trying to fight in a cause which means the lifting of the standards of life, and we can fight in that cause best by voluntary coöperation. I do not doubt that any body of men representing labor in this country, speaking for their fellows, will be willing to make any sacrifice that is necessary in order to carry this contest to a successful issue, and in that confidence I feel that it would be inexcusable if we deprived men and women of such a spirit of any of the existing safeguards of law. Therefore, I shall exercise my influence as far as it goes to see that that does not happen and that the sacrifices we make shall be made voluntarily and not under the compulsion which mistakenly is interpreted to mean a lowering of the standards which we have sought through so many generations to bring to their present level."

In reply to an invitation from Chairman Samuel Gompers of the American Alliance for Labor and Democracy to attend a conference of that organization at Minneapolis, President Wilson under date of August 31, 1917, among other things, said:

"I myself have had sympathy with the fears of the workers of the United States, for the tendency of war is toward reaction, and too often military necessities have been made an excuse for the destruction of laboriously erected industrial and social standards. These fears, happily, have proved to be baseless. With quickened sympathies and appreciation, with a new sense of the invasive and insidious dangers of oppression, our people have not only held every inch of ground that has been won by years of struggle, but have added to the gains of the twentieth century along every line of human betterment. Questions of wages and hours of labor and industrial readjustments have found a solution which gives to the toiler a new dignity and a new sense of social and economic security. I

beg you to feel that my support has not been lacking and that the Government has not failed at any point in granting every just request advanced by you and your associates in the name of the American worker.

"No one who is not blind can fail to see that the battle line of democracy for America stretches today from the fields of Flanders to every house and workshop where toiling, upward-striving men and women are counting the treasures of right and justice and liberty which are being threatened by our present enemies."

Finally in an address before the American Federation of Labor in its annual convention at Buffalo on November 12, 1917, the President, among other things, said:

"While we are fighting for freedom we must see, among other things, that labor is free, and that means a number of interesting things. It means not only that we must do what we have declared our purpose to do, see that the conditions of labor are not rendered more onerous by the war, but also that we shall see to it that the instrumentalities by which the conditions of labor are improved, are not blocked or checked. That we must do."

## CHAPTER IV

### THE WORKERS AND THE WORLD WAR

ALL the public professions of faith in the principles of democracy by the Wilson Administration were put to the acid test in the formulation of the principles to govern the selection of the men from among the body of citizens who were to serve in the military forces. And it met this test admirably. Probably no other single official act was more responsible in solidifying labor in support of the war. The Selective Service Act had this effect to an incalculable degree. It breathed the principles of democracy in every line and in every section of its provisions.

Approved by the President on May 16, 1917, this Act provided that all male persons between the ages of twenty-one and thirty, both inclusive, were subject to registration. The day of registration was set by Presidential proclamation for June 5. From the ten million names so registered were selected, by the drawing of numbers as in a lottery, the men who made up the first draft of the National Army. The official drawing of numbers took place on Friday, July 20, 1917, in the Office Building of the United States Senate in the National Capital. Distinguished citizens were present, including the Secretary of War, officers of high rank in the Army, Senators, and Representatives. The numbers, encased in capsules, were drawn by two blindfolded men. Prior to the drawing of the first number Secretary of War Baker said: "We are met to conduct a lottery or draft by which the National Army and such additions as may be necessary to bring the Regular Army and National Guard to war strength are to be selected. This is an occasion of very great dignity and some solemnity. It represents the first application of the principles believed by many of us to be

fairly democratic, equal, and fair in selecting soldiers to defend the national honor abroad and at home." The first number drawn was 258. The drawing proceeded without interruption at the rate of 600 an hour, and a total of twenty-two hours was consumed in the task. After the numbers were drawn and assigned to the individuals, those thus selected had an opportunity to present claims for exemption, exclusion, or discharge from the draft and to support such claims by evidence. Thus all unfairness and injustice was removed as between the rich and the poor man in the registration and the final selection for war service.

Of particular significance in this connection is Section 3 of the Act. It provided that: "No bounty shall be paid to induce any person to enlist in the military service of the United States; and no person liable to military service shall hereafter be permitted or allowed to furnish a substitute for such service; nor shall any substitute be received, enlisted, or enrolled in the military service of the United States; and no such person shall be permitted to escape such service or to be discharged therefrom prior to the expiration of his term of service by the payment of money or any other valuable thing whatsoever as consideration for his release from military service or liability thereto." For the purpose of determining exemption from military service,[1] the act provided for the establishment of

[1] The Selective Service Act provided for exemption as follows: "That the Vice President of the United States, the officers, legislative, executive, and judicial, of the United States and of the several States, Territories, and the District of Columbia, regular or duly ordained ministers of religion, students who at the time of the approval of this act are preparing for the ministry in recognized theological or divinity schools, and all persons in the military and naval service of the United States shall be exempt from the selective draft herein prescribed; and nothing in this act contained shall be construed to require or compel any person to serve in any of the forces herein provided for who is found to be a member of any well-recognized religious sect or organization at present organized and existing and whose existing creed or principles forbid its members to participate in war in any form and whose religious convictions are against war or participation therein

Local Boards and District Boards of Appeal. Appeals from the District Boards were to the President of the United States.

Another feature of the activities of the National Administration which appealed in the direction of securing the support of the American workingman in the conduct of the war was the broad and liberal measures taken to facilitate and clear the channels of distribution of commodities, to prevent hoarding, to assure fair prices, to restrain speculation injurious to the public, to prohibit evil practices on exchanges, to protect the people against " corners " in crops, and to prevent extortions of various kinds. Such action was provided for in statutes enacted by Congress dealing with necessaries of life, such as foods, feeds, shoes, clothing, fuel, and articles required for their production, all these being placed under Government control for the period of the war simply by declaring that every busi-

in accordance with the creed or principles of said religious organizations, but no person so exempted shall be exempted from service in any capacity that the President shall declare to be noncombatant; and the President is hereby authorized to exclude or discharge from said selective draft and from the draft under the second paragraph of section one hereof, or to draft for partial military service only from those liable to draft as in this act provided, persons of the following classes: County and municipal officials; custom-house clerks; persons employed by the United States in the transmission of the mail; artificers and workmen employed in the armories, arsenals, and navy-yards of the United States, and such other persons employed in the service of the United States as the President may designate; pilots; mariners actually employed in the sea service of any citizen or merchant within the United States; persons engaged in industries, including agriculture, found to be necessary to the maintenance of the Military Establishment or the effective operation of the military forces or the maintenance of national interest during the emergency; those in a status with respect to persons dependent upon them for support which renders their exclusion or discharge advisable; and those found to be physically or morally deficient: No exemption or exclusion shall continue when a cause therefor no longer exists: *Provided*, That notwithstanding the exemptions enumerated herein, each State, Territory, and the District of Columbia, shall be required to supply its quota in the proportion that its population bears to the total population of the United States."

ness dealing with them was affected with the public interest. Standards for grades of foods, feeds, and seeds were established and the labeling of such commodities regulated. The manufacture, storage, and distribution of foods, food materials and feeds were licensed and, wherever found necessary, were subjected to Government control. Provision was also made for the regulation of prices, and when these were fixed it was made unlawful for anybody to charge a higher price.

In these and other ways the Wilson Administration displayed statesmanship of a high order in accurately sensing the kind of appeal that would secure the unquestioned loyalty of the American workingman in the prosecution of the war. Not only through their local, state, national and international unions and their federated organization — the American Federation of Labor — did the organized workers of the United States support the Government but they called into existence a separate organization in order to make their influence even more widely felt, particularly among the unorganized workers. This new organization was the American Alliance for Labor and Democracy. Its purpose is well expressed in its name; also in resolutions adopted at a mass meeting held under its auspices in New York City on Washington's Birthday in 1918. These resolutions were in part as follows:

"Whereas the united free peoples of the world are engaged in a great final struggle against autocracy to the end that the boundless opportunities of democracy and freedom may be opened to all humanity; and

"Whereas the great struggle of which this world war is the climax, had its beginning on the American Continent under the leadership of the immortal George Washington, to whose memory we pay tribute in this mass meeting on the anniversary of his birth; and

"Whereas the American labor movement has stood steadfastly for the cause of democracy and freedom from the beginning of its history, battling against autocracy in every form, against imperialism and militarism and greed, striving always to open the way to greater freedom and new opportunities in enlarged democracy: Be it therefore

"Resolved by this meeting of trade-unionists and their friends, held under the auspices of the American Alliance for Labor and Democracy, that we once more declare our steadfast loyalty to America's enlightened cause; that we recognize in this great struggle at arms a war that is essentially labor's war — a war of the useful people of the world against the agents and institutions of tyranny and oppression — and that we are resolved to remain with this struggle to its victorious conclusion; and be it further

"Resolved, That we commend the determination of the American labor movement to have no contact or dealings with enemy nations so long as those nations remain autocratic, and that we send again to the people of those nations the word that the American working people can discuss no international or other questions with them so long as they consent to autocratic domination and fight the battles of autocracy; and be it further

"Resolved, That we are one with the whole people of America in our resolve to exert every effort for a triumphant military effort on the battlefields of Europe to bring about the final overthrow of autocracy, meanwhile guarding jealously our democratic institutions at home as the foundations of a wider and fuller democracy to come: and be it further

"Resolved, That we here again express our appreciation of the far-sighted wisdom and singleness of purpose of President Wilson as manifested in his first statement of the aims of our Nation in this war, which statement has furnished a rallying point for the advancing democratic thought of the world; and be it further

"Resolved, That we forward this declaration of fidelity and loyalty to the President of the United States as our renewed pledge of fealty and true understanding at this most fitting time, the anniversary of the birth of our first Great Liberator."

The anniversary of the birth of Lincoln was also made the occasion of nation-wide demonstrations of patriotic duty by the workers. The week of Lincoln's birthday was observed as Loyalty Week by organized labor in order "the more thoroughly and effectively to demonstrate our solidarity and our unity in behalf of our Republic."[1] All local branches of the

[1] Extract from a circular letter issued by the executive council of the American Alliance for Labor and Democracy under date of January 4, 1918.

Alliance, in coöperation with the local bodies of organized labor, held mass meetings and demonstrations and distributed patriotic literature among their fellow workers and citizens setting forth America's aims and ideals with the view of combating the insidious forces of pro-German and anti-American propaganda.

As to the work of this organization President Wilson said in a telegram to its convention held at St. Paul, Minnesota, in June, 1918:

"Called into being to combat ignorance and misunderstanding, skillfully played upon by disloyal influences, the American Alliance for Labor and Democracy has done a great and necessary work. It has aided materially in promoting the unity that proceeds from exact understanding, and is today a valid and important part of the great machinery that coördinates the energies of America in the prosecution of a just and righteous war."

Nor did the President withhold expressions of recognition of the part the labor unions were playing in the war. To President Gompers of the American Federation of Labor at its convention in St. Paul in June, 1918, the President sent this telegram:

"Please convey to the thirty-eighth annual convention of the American Federation of Labor my congratulations upon the patriotic support which the members of your organization have given to the war program of the Nation in the past year not only in the trenches and on the battlefield, where so many of our younger men are now in uniform, but equally in the factories and shipyards and workshops of the country, where the Army is supported and supplied by the loyal industry of your skilled craftsmen. We are facing the hardships of the crucial months of the struggle. The Nation can face them confidently, assured now that no intrigues of the enemy can ever divide our unity by means of those industrial quarrels and class dissensions which he has tried so diligently to foment. In these days of trial and self-sacrifice the American workingman is bearing his share of the national burden nobly. In the new world of peace and freedom which America is fighting to establish his place will be as honored and his service as gratefully esteemed."

The service "in the factories and shipyards and workshops" which American labor was called upon to render at the entrance of the United States as a participant in the war involved the most radical readjustment in its history. While it is true a partial readjustment from the pursuits of peace time conditions to war time requirements had been brought about prior to our participation through the demands of the Allies upon the industries of the United States for war material, at the same time this was only to a very limited extent compared with the almost complete revolution following upon the demands of the American Government for men to fill the ranks of the army and navy as well as for industrial war service of all kinds. This readjustment could never have been accomplished half so quickly and so expeditiously had not the labor movement of the preceding decades supplied at hand the necessary machinery of organization. Nor could it have been brought about without centralized control of economic forces by the National Government. That it was accomplished in such a short time and with so little disturbance to the orderly processes of production is one of the marvels of our varied war activities.

Industries over-night were turned from peace time to war time production. A swamp yesterday was today a thriving, hustling town surrounding an entirely new industry. Barren fields one day were populated camps or cantonments or training stations the next day. This sounds quite easy and simple when stated in mere words but the details of the actual thing fills one with wonder and astonishment at the ease and quickness of adaptability in a great emergency not only of the American workingman but also of the American employer. Our individualistic system of production had developed this adaptability unconsciously almost, at least these workers and employers had never before been called upon to such an extraordinary extent as so clearly to demonstrate the possession of this quality as a national characteristic. Nothing else offers so satisfactory an explanation of the remarkable transformation.

The nature of the employment of labor being primarily deter-

mined by the characteristics of the employment of capital, it was first necessary that the Government exercise in innumerable directions arbitrary control over capital. And the spirit of acquiescence with which this ordinarily repellent interference was met is only to be explained on the ground of patriotism. Employers who would have offered the most determined opposition under ordinary circumstances to any interruption of their normal production activities, without a word of protest consented to the complete and sudden shut down of the usual output of their plant and adjusted their entire resources to the production of whatever war material they were told the Government was most in need. And the employes of the plants as willingly acquiesced in almost as complete a dislocation from their normal pursuits.

One plant that was engaged before the war in manufacturing steel passenger cars, another in making safes, and a third in producing hoisting and mining machinery were assigned to turning out carriages for 155-millimeter guns. The recoil machinery for this gun, the manufacture of which presents peculiarly difficult problems, was made by an elevator company and an automobile corporation. Another automobile factory, an air-brake plant, and a Government arsenal were put to work making carriages for the 75-millimeter guns. A sewing machine company and a Government arsenal manufactured the recoil mechanism.

Nothing illustrates this adjustment to war time requirements more concretely than the situation with regard to the automobile industry. At a meeting in Detroit early in August, 1918, the automobile manufacturers of the United States had adopted a resolution voluntarily agreeing to the curtailment of 50 per cent. of their production of passenger cars. To this the War Industries Board replied that while the action was clearly a step in the right direction and furnished a basis for each and all the manufacturers, without further delay, to make appropriate reductions in selling, general, and overhead expenses, "still it is only a step, and a further curtailment is inevitable." The

Board advised the automobile manufacturers that there would be "little, if any, of the principal materials required in the construction of passenger cars available for non-war industries after the war requirements shall have been provided for," and that it could not "make any promise whatsoever regarding the supply to your industry of steel, rubber, or other materials for any definite period in advance. We strongly believe that it is to the best interest of your members and all other manufacturers of passenger automobiles to undertake to get on 100 per cent. war work as rapidly as possible and not later than January 1, 1919, for in no other way can you be sure of the continuance of your industry and the preservation of your organization."

Into the hands of this War Industries Board had been given virtually absolute power over all raw materials. These were controlled by it primarily for meeting the war needs of the Government. The functions of this board are briefly summarized as follows from the statement of President Wilson of March 4, 1918: To create new facilities; to disclose and if necessary to open up new or additional sources of supply; to convert existing facilities, where necessary, to new uses; to study the conservation of resources and facilities by scientific, commercial, and industrial economies; to advise purchasing agencies of the Government with regard to prices to be paid; to determine, wherever necessary, priorities of production and of delivery; to determine the proportions of any given article to be made immediately accessible to the several purchasing agencies when the supply of that article is insufficient, either temporarily or permanently; and to make purchases for the Allies.

The exercise of these functions concentrated in this board control over virtually the entire production processes of the nation. The effect of this upon the adjustment of labor to war conditions is apparent. No industry could continue in peace time operation if the board decreed otherwise. These decisions of the board in consequence determined the disposition of the labor force as between industries. Take, for illustration, the resolution of the board made public March 27, 1918, in which

was announced its policy towards new corporations organized for the erection of industrial plants which could not be utilized in the prosecution of the war, and also towards the plans of certain of the states, counties, cities, and towns for the construction of public buildings and other improvements which would not contribute directly toward the winning of the war. As the carrying forward of these activities would involve the utilization of labor, material, and capital urgently required for war purposes, the board stated that "in the public interest all new undertakings not essential to and not contributing, either directly or indirectly, toward winning the war . . . will be discouraged, notwithstanding they may be of local importance and of a character which should in normal times meet with every encouragement." It gave notice that it would withhold from such projects priority assistance, without which new construction of the character mentioned would frequently be found impracticable, and that parties embarking on such undertakings did so at their peril.

Along the line of controlling the disposition of capital and through this means eliminating non-essential production during the war the Federal Reserve Board passed upon proposals as to capital expenditures. The avoidance of unnecessary expenditures in both private and public enterprises was insisted upon. Before making contracts involving the use of labor and material, or placing new issues of securities, or agreeing to purchase new issues, bankers and corporations were required to confer with the board in order that it determine whether the undertaking covered by the proposals was necessary for the public health and welfare or contributed directly toward winning the war. Public improvements and new private enterprises which in time of peace were entirely proper were now considered in connection with the great governmental problems arising out of military necessities. In consequence of the work of the Capital Issues Committee many proposed ventures were suppressed at the source, either because the applicants realized that the purposes for which they desired to issue securities were

not compatible with the national interests, or because the local committees were able to impress upon them the point of view of the Government before they reached the central committee at Washington. Notwithstanding, this central committee passed upon numerous applications, in one week alone these numbering ninety-six and aggregating $232,868,918, being largely renewal and refunding operations.

The manufacture of passenger automobiles for pleasure and the construction of buildings other than for immediate use for war purposes are taken merely to illustrate that upon America's entrance into the war all industrial activities of the people became at once of relative importance, and this relativity was measured solely by the industry's ability to contribute to the prosecution of the war. Some were absolutely vital to this end, but many more could be temporarily dispensed with. Tremendous as were the country's resources there was not sufficient capital, materials, machinery, and labor both for fighting the war to a successful conclusion and continuing at the same time normal business enterprises. The country's industrial equipment was limited in face of the enormous demand upon it. The war had to be prosecuted — there was no other thought conceivable — and in consequence normal lines of production had to cease in order to provide the necessary war equipment.

Under these conditions it should be expected that the declaration of war would be followed almost immediately by widespread dislocation of industry. The conduct of industry and of business enterprises generally had been proceeding through many years of peace along certain definite lines of production not at all related to the conduct and operation of a foreign war, and certainly not of a war of the magnitude that the European conflict had assumed. War meant not only a decrease in the production of so-called non-essentials and a complete change in the production of many commodities but also an enormous increase in the manufacture of other commodities. Radical readjustments in industry alone would enable the Gov-

ernment to secure the necessary war supplies. And among these readjustments was the taking of labor from its normal occupations and transferring it to war time employments, not alone for the Army and Navy and other branches of the military service but for the industrial production of all forms of munitions and supplies necessary to the successful work of the soldier.

In the most literal sense the war became an industrial war between peoples and was fought by employments of production as well as by rifles and cannons. It was a war of industrial resources no less than of armies. Not only did the places of soldiers withdrawn from industries have to be filled but entirely new occupations had also to be provided for and the men secured to fill them. There was imperative need for the construction of cantonments, of training stations, of hospitals, of aircraft plants, of shipyards, of arsenals, and of hundreds and hundreds of plants and factories for the making of war materials of every possible description.

All this also assisted in the radical dislocation of labor. Production was largely centered in the cities and towns on the Atlantic seacoast; and towards these industrial centers hundreds of thousands of workmen were drawn by the trainloads from all parts of the Middle West and Rocky Mountain sections and from as far south as Texas. With the working population of those centers, these recruits made rifles and cannons and flying machines and motor trucks and cartridges and clothing and built ships and the thousand and one other things necessary for the equipment and transportation of an army of millions of men. Not the least of these efforts was the construction of houses for the workers themselves, as this transplantation of male population swamped all the industrial centers, and houses for the men to live in became vital to continuous production.

With so many economic forces at play it is not possible to decide which contributed most to winning the war. One should be satisfied with the result without undertaking the

thankless task of apportioning the credit. But this willingness and adaptability of the American workingman in meeting almost every emergency he was called upon to meet should not be permitted to escape having attached to it the significance which its importance deserves as a factor of vital influence in determining the outcome of the war. In so far as the participation of the United States is considered, the war was won because of uninterrupted production of the things absolutely essential in getting the army trained, equipped and on the battlefields of France. If our production machinery, which accomplished this tremendous task, had failed at any vital point in supplying essential materials, the war could not have been successfully terminated in favor of the Allies. And in the performance of this task the American workingman can justly claim no small part.

## CHAPTER V

### THE AMERICAN WORKINGMAN AT WAR

THE American workingman is blood-brother to the American soldier who fired at Château-Thierry the gun that stopped the German that caused the retreat that forced the armistice that won the war. Back of this American soldier who carried the gun was the worker who dug the ore, who forged the steel, who shaped the shell, who made the powder, who assembled the parts, who perfected the gun; the worker who stoked the furnace that supplied the steam that operated the engine that moved the ship that transported the soldier and the gun. Back of him also was the worker who ran the locomotive that hauled the train that carried the coal that operated the machinery that moved the lathe that fashioned the gun — the worker who mined the coal that fueled the boiler that started the engine that pulled the cars that carried the lumber that formed the barracks that housed the soldier — the worker who tended the loom that transformed the wool that made the uniform that clothed the soldier — the worker who grew the food that nourished the soldier that pulled the trigger that fired the gun that sped the bullet that won the war. This worker is the American workingman whose blood-brother, we repeat, carried the gun that stopped the German at Château-Thierry.

Back of this soldier — of his living, his training, his equipment, and his transportation across the seas — back all along the line were millions of toiling, sweating, labor-giving men whose work was necessary before the soldier could have fired at Château-Thierry the shot that won the war.

The mere details of this twentieth century miracle are prosaic.

They simply record the excavating of dirt, the mixing of mortar, the laying of brick, the felling of trees, the sawing of lumber, the nailing of boards, the mining of coal, the operating of machines, the fashioning of metals, the sewing of cloth, the growing of food, the running of trains, the manning of ships — the doing of the thousand and one acts of labor that go to make up the everyday humdrum life of the American toiler.

On the day the United States officially entered the war, April 2, 1917, its entire military force in service was 212,034 officers and enlisted men distributed in the regular army, in the national guard of the separate states in Federal service, and in the Reserve. One year later, on April 1, 1918, the total number of men under arms in the military service was 1,652,725. These comprised 10,698 officers and 503,142 enlisted men in the regular army, 16,893 officers and 431,583 enlisted men in the National Guard, 516,839 enlisted men in the national army, and 96,210 officers and 77,360 enlisted men in the Reserve. Within twelve months the number of men under arms had been increased eightfold.

Another army, but of civilian workers from all the building crafts, and exceeding in number one hundred thousand, was recruited out of the labor force of the country not included in the draft ages and put to work to house in training camps this fighting army of soldiers — an unprecedented army for an unwarlike people. These workers built almost over-night, sixteen cantonments and an equal number of other camps — virtually thirty-two small-sized cities each accommodating a minimum of twenty-two thousand men and some as many as forty thousand men. These military towns which the Government constructed through the War Department were located in different sections of the country at the various mobilization centers. From three thousand to ten thousand workers were required in the erection of each camp, the number of men employed depending upon its size.

This is equivalent in each case to the construction of approximately one thousand separate buildings covering more than a

square mile of ground, exclusive of the area required for drill purposes, such buildings comprising barracks for the men and quarters for the officers, kitchens, mess halls, bath houses, stores, warehouses, refuse disposal plants, laundries, hospitals, garages, theatres, rifle ranges, railway stations, post offices and the score and more other separate structures necessary to provide housing for the troops and for the varied activities of a big camp. In all the sixteen cantonments there were erected as many as twenty-two thousand individual buildings of many types. Roadways and asphalted and paved streets, electric lighting and steam heating plants, water works, sewers, telephone lines, fire protection service, railway facilities, and like modern needs all depended upon manual labor to create them.

Then, too, there were the workers back in the forests of mountain recesses felling the trees and hauling them to the mills, and men in the mills sawing the logs into lumber for these buildings. Within sixty days one hundred and ninety mills in all parts of the country shipped to the cantonment sites more than 500,000,000 feet of lumber requiring twenty-four thousand freight cars to transport it.

Workers were engaged also in the production of the 4,000 street lamps, the carload of roofing tacks, the 5,000 water casks, the 8,000 fire extinguishers, the 22,000 cubic yards of sand, the 40,000 cubic yards of broken stone and screened gravel, the 75,000 barrels of cement, the 93,000 kegs of nails, the 140,000 doors, the 140,000 rolls of sheathing paper, the 250,000 fire pails, the 265,000 feet of lamp cord, the 320,000 inside lamps, the 380,000 feet of fire hose, the 686,000 sashes, the 3,000,000 square feet of screens, the 6,000,000 square feet of roofing paper, the 20,000,000 feet of insulated wire, the 30,000,000 square feet of wall boarding and the innumerable other commodities necessary to the construction of these cantonments. In brief, each cantonment required five thousand carloads of material, not including supplies for the workmen while engaged in construction — a total for the sixteen cantonments of eighty thousand carloads.

Recall to mind also those other millions of workers in the civilian army who were toiling in the second line of defense in the production of the materials for clothing and equipping the soldier army — those workers who made the 6,500,000 overcoats, the 8,000,000 hats, the 8,000,000 barrack bags, the 8,000,000 bed sacks, the 11,000,000 woolen coats, the 14,000,000 pairs of woolen breeches, the 20,000,000 blankets, the 21,000,000 pairs of shoes, the 22,000,000 yards of overcoating, the 26,000,000 undershirts, the 31,000,000 pairs of drawers, the 31,000,000 yards of cloth for uniforms, the 35,000,000 yards of flannel suiting, the 50,000,000 pairs of heavy stockings, and the 250,000,000 yards of cotton cloths contracted for at one time.

In the manufacture of woolen goods alone for the Army the co-operation of employes in more than three hundred mills was necessary. By May 1, 1917, the government had contracted for fifty million yards of duck for tents, motor truck coverings, leggings, haversacks, and other equipment. Investigation disclosed that all the duck mills of the entire country were unable to produce more than twenty million yards before January 1, 1918. To secure the additional thirty million yards manufacturers of carpets and other cotton textiles turned their employes and plants to making duck. Hundreds of looms were changed and builders' stocks altered so extensively that many mills without facilities for making yarns encountered a serious shortage of this material. Then the forces of the yarn makers were mobilized behind the mills in order to secure the sixteen million pounds of cotton yarn needed.

Think, too, of the myriad of other workers engaged in the production of the twenty-nine regular articles of clothing of the soldier and the ninety articles of his equipment — buttons, belts, shoe laces, leggings, service hats, slickers, bugles, axes, and so on.

By June, 1918, factory workers had produced for the United States Army 1,568,000 rifles, excluding 200,000 separate parts, a rate of production of 45,000 a week. The workers in

eight plants had made this output with the employes in only five of the eight busy all the time, production in three having been slowed down on rifles in order to turn out machine guns and automatic pistols. This industry alone was employing ninety thousand men, women and children.

Many other thousands were producing 1,000,000,000 rounds of ammunition for the troops in the training cantonments alone, 427,246,000 pounds of explosives, 60,000,000 hand and rifle grenades and an equal number of projectiles for all calibres of heavy artillery, 175,000,000 clips for small-arms cartridges and 22,000,000 bandoleers for carrying cartridges, 725,000 automatic pistols, and 250,000 revolvers.

Other workmen were turning out complete machine guns at the rate of two hundred and twenty-five thousand a year, 3½ inch to 9 inch calibre guns at the rate of fifteen thousand a year, and cartridges for rifles and pistols at the rate of twenty million a day. Since this country had entered the war and up to and including July 19, 1918, the total output of cartridges for rifles, pistols, revolvers, and machine guns, inspected and accepted, was 2,014,815,584. This made the daily average output approximately 15,000,000 but included in the time calculated were months that had been necessary for preparation during the earlier days and the output had naturally increased as this preparatory period was left behind. The maximum number inspected and accepted in a single day up to August 3, 1918, was 29,466,000 on July 5 of that year. The number of small arms such as rifles, pistols, revolvers, and machine guns inspected and accepted up to July 14 totaled 1,886,769 complete rifles of all types, 217,000 pistols, 169,367 revolvers, and 82,540 machine guns.

Still other workers were making thirty-five thousand motor trucks and tractors for hauling heavy guns and ammunition. At the beginning of the war there were only three thousand motor trucks, four hundred and fifty automobiles, and six hundred and seventy motorcycles in the Quartermaster Corps of the Regular Army. From April 8, 1917, to July 1, 1918, there

had been produced for the motor transport service 27,005 motorcycles and 25,874 side cars for motorcycles, and 8,809 motor ambulances. By July 1 there were overseas alone 18,000 motor trucks and 3,420 passenger cars. American mechanics were at that time turning out trucks complete and ready for immediate use at the rate of forty-five hundred a month. A standardized truck of interchangeable parts specially devised for heavy military duty was designed, and in October an order placed for ten thousand, actual production beginning in January, only five months from the starting of the work. Standardization was also applied to the trailers, motorcycles, bicycles, machine-shop trucks, tank trucks, and other automotive equipment. Workmen were necessary in repair shops to maintain this equipment and also in the standardized base shops, each of the latter covering four acres of ground and requiring a force of twelve hundred mechanics to operate, these shops serving also as depots and training centers for the selection and organization of skilled personnel to be sent overseas.

All these men — the soldiers, the workers constructing and those operating the training camps and those making the thousand and one articles necessary to their operation — these millions had to be fed, and in the performance of this task, by no means a small one, other divisions of the army of toilers back on the farms and in the factories and food depots were called upon. What this task was is illustrated in the estimated annual supplies for the one million men in the Army in the United States exclusive of the soldiers in France. These supplies amounted to 398,000,000 pounds of fresh beef and 8,000,000 pounds of canned beef, the latter not including canned corned beef hash; 480,700,000 pounds of potatoes; 300,000,000 pounds of flour; 55,000,000 pounds of onions; 50,000,000 pounds of granulated sugar; 29,600,000 pounds of coffee; 8,200,000 pounds of lard; 7,300,000 pounds of butter, excluding oleomargarine; 3,800,000 cans of black pepper, cinnamon, cloves, ginger, and nutmeg; 1,000,000 gallons of cane syrup; 850,000 gallons of cucumber pickles. In addtition there were

the supplies for the remainder of the soldiers' forty-nine items of regular rations, such as bacon, baked beans, corn, peas, tomatoes, flavoring extracts, other canned vegetables and fruits, evaporated apples and peaches, canned and dried fish, candy, chewing gum, as well as the additional 165 items supplied for sale to the soldier at cost, such as various kinds of foodstuffs and also shaving mugs, razors, toilet articles, pencils, thread, pins, pens, shoe polish, letter paper, pipes, and so on.

While these fragmentary details of the work of the toilers in the second line of defense enable one to form some idea of the task the American workingman was called upon to perform, that task was of a magnitude so great it is beyond the power of mere word description to convey a comprehensive conception of it. No complete picture of this could be given even if ten times the space were available. It can only be vaguely indicated by selected instances, and even then the imagination has to be called upon for assistance.

Conceive, for illustration, of the workers all along the line of production that were necessary to carry to completion the 297 separate projects for emergency work to house and meet the needs of soldiers in this country and to provide buildings for the manufacture and storage of supplies for the Army, both here and abroad, which had been undertaken by the construction division of the War Department and which had been executed or were under way and in prospect on June 1, 1918. In addition plans had been laid for 117 new operations. The estimated cost of the 297 projects was $1,170,619,000, not including three operations costing $106,000,000 which were being conducted under the direct control of the Ordnance Department. The cost of the 117 new projects was estimated to be $700,000,000.

In caring for the health of the soldiers alone thirty-two hospitals were constructed and more than forty others enlarged. Each cantonment hospital comprised about seventy different buildings covering sixty acres of ground, the hospital proper providing for a minimum of one thousand beds.

For the production of nitrates two entirely new plants were constructed and equipped with machinery and materials, each involving an appropriation of forty-five million dollars. One of these had a capacity of sixty thousand pounds of ammonia each twenty-four hours. For the purpose of increasing the production of ammonia and toluol, by-product coke ovens and water-power plants were installed.

By August, 1918, workmen had completed for the Ordnance Department twenty-six out of thirty-three plants for the production of gun carriages and recoil mechanisms at a cost of twenty-five million dollars. In the preceding month there had been made ready for use fifteen out of sixteen gun plants for the forging and machining of cannon, with a total expended or obligated of nearly seventy-five million dollars, including a new plant for the manufacture of big guns at Neville Island, Pittsburgh. Altogether the amount expended or obligated up to that time to provide facilities for the production of guns, carriages, and recoil mechanisms totalled $99,606,633, excluding provision for the manufacture of artillery limbers, caissons, and ammunition wagons.

An entirely new industry had to be created for the production of gun carriages and for the forging and machining of cannon. This simple statement means that for the carriage of the 240 millimeter howitzer, the most complex of carriages, as many as six thousand separate pieces, exclusive of rivets, had to be made. For the production of the French model gun carriage alone plants had to be selected to manufacture the carriages, new shops built, special machinery manufactured and installed, and even the machine tools with which to make the machine-tool equipment of the carriage plants had to be made. Standardization of manufacture had to be accomplished to such a degree that any part produced in any plant would be interchangeable with any similar part produced in any other plant, and all parts produced in American plants interchangeable with similar parts produced in French plants.

In as many as fourteen hundred different manufacturing

establishments and in eleven Government arsenals workers by the thousands were turning out articles of war for the Ordnance Department of the Army alone. To take care of these products in the course of their distribution more than 23,000,000 square feet of storage space had to be provided. These Ordnance storage properties embraced separate warehouse buildings and miles of railroad sidings within the depot premises. One of these newly constructed depots for the storage of war materials included one hundred separate buildings and fifty miles of specially built railroad track enclosed in electrically charged wire barriers. The supply division of this department handled material amounting approximately to ten thousand carloads a month.

Some idea as to the number of men required to carry on this highly organized mechanism of manufacture, storage, and distribution is suggested in the fact that as many as one hundred thousand different articles, ranging all the way from the small striker or firing pin of a rifle to a complete sixteen-inch gun and emplacement, had to be created out of their raw materials and supplied to the troops. As an illustration, a single gun with its disappearing carriage has 7,990 parts exclusive of sights and accessories. Even the three-inch gun battery requires 3,876 tools, accessories, and supplies as essential parts of its outfit. Reserves in all these spare parts had to be maintained and their distribution carried out with efficiency and under difficult circumstances. Not only did these intricate and complex weapons of modern warfare have to be designed and manufactured by the American workingman but he was called upon to produce also the incalculable number of tools, gauges, and jigs required in this manufacturing process.

So it was with the Aviation Service of the Signal Corps of the Army. It was called upon to organize a highly trained personnel and to build the most intricate kind of equipment with practically no foundation upon which to start — in fact, the foundation itself had to be laid. Three appropriations totaling $691,000,000 measure in dollars its first year's program.

The air service started with 65 officers and 1,120 men, three small flying fields, less than three hundred second-rate planes, virtually no aviation industry, and with only the most meager knowledge of the kaleidoscopic development in air war service abroad. Schools of eleven different kinds were instituted, courses of instruction laid out, and instructors secured, the latter including foreign experts in a score of lines. Flying fields were built, some of them with site selected, ground cleared and leveled, hangars and quarters erected, and telephone, transportation, drainage, and the like installed within five weeks' time — a strategic net work of fields distributed over the country along the main proposed aviation routes. From the employes of a single company in the United States capable of anywhere near quantity production of training planes (as for battle planes their production in America had not even been thought of) there were in a comparatively short time thousands of skilled workers of a score of large companies producing planes, of fifteen turning out engines and of more than four hundred other companies providing the necessary spare parts, accessories, and other essential supplies.

This marks, in brief, the demand, in part, for such workers as machinists, auto-mechanics, engine repairmen, gun machinists, chauffeurs, carpenters, blacksmiths, tinsmiths, cabinet makers, electricians, coppersmiths, sheet metal workers, propeller makers, wireless operators and constructors, tent makers, sail makers, truck masters, vulcanizers, welders, and repairers and installers of magneto-ignition systems, cameras, watches, clocks, and other instruments. Virtually ninety-eight out of every one hundred men in the air service had to be skilled in some branch of work.

Aeroplane production was wholly new and unfamiliar to American mechanics and yet those taken from other trades and converted hastily into workers on the most intricate and delicate kinds of aircraft machinery soon adapted themselves to the demands made upon their skill. Tens of thousands of skilled mechanics, engine men, motor repair men, and wood and metal

workers were needed to keep the planes always in perfect condition, this requiring a huge engineering and mechanical force at the air dromes, flying fields, and repair depots both in the United States and behind the lines in France. Without this force of American workmen the planes turned out by American workmen would of course have been useless and the American fliers helpless.

The land division of the Signal Corps of the Army also required skilled workmen in order to enable it to operate, such as chauffeurs, motorcycle drivers, and gas-engine repairmen for duty in field and telegraph battalions; telegraphers, both wire and radio; telephone men, including switchboard operators, telephone repairmen, and men skilled in testing and repairing telephones in line; linemen, both telegraph and telephone; photographers, both still and moving; homing pigeon men, radio men familiar with installing apparatus, blacksmiths, cobblers, clerks, cable men, cooks, and so on down a long line of skilled trades.

In the manufacture of gas masks and like appliances the Medical Department of the Army also needed the labor of mechanics, glass blowers, pipefitters, electricians, carpenters, blacksmiths, chemists, laborers, and the like. The gas defense service of the War Department was conducting, within three weeks after America's entrance into the war, a completely equipped factory for the manufacture of gas masks for horses with an output of five thousand masks a day. This rate of production was partly due to the introduction of riveting machinery which did away with the heavy hand sewing of the frame which supports the mask on the face of the horse.

And so it was in these humble and inconspicuous ways that the American workingman in mine and mill and factory and plant did his part in laying low the Political Autocracy of the German Government as it swaggered and strutted through Belgium and into France.

# CHAPTER VI

## WORKING FOR THE GOVERNMENT

THE labor of the American workingman in providing training accommodations and in producing supplies and equipment, including the largest battleships the world had ever seen, was as essential to the Navy as we have seen it to have been to the Army. From a force of 68,000 enlisted men and 4,500 officers in January, 1917, the Navy had expanded by December 1 of that year to 254,000 enlisted men and 15,000 officers [1]— from less than 75,000 to nearly 270,000 — including regulars, reserves, and national naval volunteers. It had 130 stations of all kinds on January 1; it had a total of 363 eleven months later. The number of employes at regular navy yards in the United States had increased from 35,000 to more than 60,000. On shore and afloat, including civilians and sailors, the Naval Establishment embraced more than 300,000. The expenditures for all naval purposes at the beginning of the fiscal year 1917 were about $8,000,000 a month; in December of that year they were $60,000,000 a month. On January 1 there were 300 naval vessels of all kinds in commission; in December more than 1,000.

Thus succinctly is indicated the task the Navy was called upon to accomplish in the way of meeting the great expansion that was found necessary. The large and sudden influx of

[1] From the annual report of the Secretary of the Navy, December, 1917. In June, 1918, the strength of the Navy had increased to 423,800 enlisted men and 26,285 officers. These were divided as follows: Regular Navy, 205,798 men, 9,204 officers; Naval Reserves, 148,505 men, 14,704 officers; Marine Corps, 48,505 men, 1,364 officers; National Naval Volunteers, 15,000 men, 785 officers; Coast Guard, 6,000 men, 228 officers.

enlisted men and officers overtaxed the peace time training stations before increased facilities could be provided. An illustration of the immensity of the work American labor performed in meeting this situation is the new Naval Training Camp and other improvements at Hampton Roads in Virginia. This camp covers four hundred acres and embraces more than one hundred and fifty buildings. On July 15 the camp site, formerly the grounds of the Jamestown Exposition of 1907, was largely covered with brambles and scrub pine. Within a few weeks four thousand workmen had drained the marshes, laid out the roads, and erected ninety buildings, including barracks and mess halls. These accommodated eight regimental units and a detention and hospital division, each unit having its own mess hall, barracks, and officers' quarters. A temporary storehouse was over one-eighth of a mile long and two hundred and sixty feet wide; there was also a permanent storehouse of reinforced concrete, five stories high and 416 by 119 feet. The camp included a bakery, laundry, and sterilizing plant. The Great Lakes Naval Training Station near Chicago, accommodating seventeen thousand men, the largest of the naval cantonments, consisted of six camps built around a central permanent establishment.

To clothe the tens of thousands of recruits in the different service branches of the Navy the meager supply of eleven thousand sets of uniforms on hand at the naval supply depots at the outbreak of the war were of course wholly inadequate. Nor were the manufacturers able at first to produce the quantities of uniform cloth required. This meant the securing of the labor necessary to produce the raw material for the uniforms and then other labor to manufacture it into suits. By August, 1917, the Navy had let contracts for 4,500,000 yards of woolen uniform cloth at an aggregate cost exceeding $16,000,000. The amount of wool in the grease required for the manufacture of the cloth was upward of 15,000,000 pounds. If delivered at one time this cloth would require storage space of about 300,000 cubic feet and would weigh nearly 4,500,000

pounds; it would make 1,000,000 shirts or jumpers, 800,000 pairs of trousers, and 350,000 overcoats; it required all the facilities of thirty-five separate mills in its manufacture. By the time this single order was placed correlation and coöperation between the workers engaged in the various processes had reached the point where uniforms were being turned out complete at the rate of seventy thousand a month.

The Navy Department's building program comprised the improvement and extension of training stations, aviation stations, submarine bases, and navy yards, and the erection of immense storage warehouses for supplies and munitions, of dry docks capable of accommodating the largest vessels, gun shops, including at the naval gun factory the largest gun shop of the kind in the world, and hundreds of other buildings for the various branches of the service. This improvement program amounted to the virtual rebuilding of some of the navy yards and stations, comprising ways, shops, tools, cranes, and all the requisite appurtenances and auxiliaries. The warship building facilities of the large private plants had also to be increased by an enlargement of shops, as well as an increase in the facilities at some of the large electric, steel, and ordnance plants of the country. There was a remodeling and enlargement of all the power plants at the stations and the perfection of plans for carrying out an arrangement to "tie in" these various important government plants with industrial sources of power in their vicinity.

The Navy's shipbuilding program provided for the construction of the largest warships ever built, involving the supplying of structural shops, machine shops, and foundries of the most modern type, some of them of unprecedented size, as was also the machinery for these buildings necessitating, for illustration, traveling cranes having a capacity as high as three hundred tons and fitting-out cranes with a capacity of nearly four hundred tons. America's mercantile marine had never been of a size sufficient to have created for its own purposes these enormous shipbuilding facilities. In fact, such facilities as

were available in this country were so small as to make the carrying out of the naval program of the war impossible without large additions to the private yards as well as to the government navy yards. This ship construction program by October, 1917, provided for 787 vessels of all types, from submarine chasers to superdreadnaughts, at a total cost exceeding $1,150,000,000.

This lack of facilities was particularly striking in the case of the construction of destroyers. A large number of vessels of this type had been made necessary by the requirements of modern naval warfare, and especially by the depredations of the German submarine, and yet there was not in the entire country a single vacant ways to hold them. Not only were there no ways for these most essential vessels, and in many cases not even ground enough in the shipyards on which to build such ways, but there also were not in the entire United States enough skilled mechanics in the forge plants, to take a single illustration, to forge the shafts and propelling machinery without suspending operations essential to the arming of the troops. In building the destroyers keels were laid on ground that a few months before was swamp land, extensions were made to forge plants which in some cases were as large and even larger than the original plants themselves, and every manufacturer and every available worker sufficiently trained to make anything needed for a destroyer was set at this task.

A somewhat similar situation confronted the Navy in supplying those two potent weapons of modern warfare, the aeroplane and the submarine; weapons that were not even mentioned in the military textbooks of a dozen years before. The facilities for their construction in any considerable numbers had to be created over-night; skilled mechanics had to be secured somewhere and somehow. So with the construction of those vessels primarily engaged in opposing submarines, whose life-saving appliances and methods suited to recognized conditions of naval warfare had to be materially modified. Then, again, the Navy had only a moderate supply of guns and am-

munition for arming naval auxiliaries that were taken into the service. As for defensive weapons to protect merchant vessels when Germany undertook their indiscriminate sinking, not only necessary guns but also skilled gun crews had to be provided.

All this preparation was accompanied by an incessant cry from the Navy as from the Army for skilled men, and then more skilled men, as the requirements of modern warfare came more and more to depend for their success upon these enginemen, mechanics, machinists, boilermakers, shipwrights, shipfitters, carpenters, riveters, caulkers, blacksmiths, coppersmiths, sheet metal workers, pattern makers, molders, water tenders, bricklayers, masons, and so on. The modern battleship, for instance, requires thirty-eight machinists' mates to operate the machinery and keep it in repair, and these men must be skilled artificers. Their supply in the labor market was early in the war completely exhausted and then recourse was had to workers not so skilled but machinists who were trained in a reasonably short time to operate the engines, thus permitting a less number of machinists' mates. The pattern maker and the molder filled an equally urgent need on repair ships inasmuch as under war conditions ships had to be kept at all times fully prepared for immediate active duty and thus could not return to the navy yard while it was at all possible for repairs beyond the capacity of the force on board to be made by the personnel on the repair ships.

Thus is indicated the important fact that thousands of workers were enlisted in the Navy in occupations and positions other than that of those who actually did the fighting. The same is true of the Army.

The Signal Corps, for illustration, enlisted bricklayers to build airdromes in France in which to house Amerca's flying army overseas. These mechanics were so urgently needed in large numbers at the very beginning of the war that recruiting officers were given special instructions to enlist every man possible for this service. These men upon enlistment were

sent to concentration training camps in the South and there organized into squadrons for immediate transportation to France. Provision was made for them to become non-commissioned officers. Their salary ranged from thirty dollars to fifty-one dollars a month with a 20 per cent. bonus for foreign service, and in addition food, lodging, and uniform.

Industrial employment of workers enlisted as soldiers is also indicated in the formation of forest regiments. Each regiment of woodsmen numbered about twelve hundred men, comprising ten battalions, and their task was to supply from the forests of France lumber material for the use of the American Army, such as cross-ties; bridge, trench, and construction timber; mine props; and lumber and other forms of wood essential to military operations. These regiments required skilled lumber-jacks, sawers, axmen, portable saw-mill operatives, tie cutters, loggers, logging teamsters, millwrights, filers, stationary engineers, charcoal burners, boiler makers, truck and tractor operatives, and so on. Nine so-called service battalions made up of laborers employed in connection with the forest regiment had also been authorized by September, 1917. The officers were trained in established camps.

In January, 1918, recruiting for the Twentieth Engineers' Regiment of six thousand additional men for forest and railroad work was being completed. This second forest regiment had the distinction of being the largest regiment in the world. Three thousand of the men were skilled in all kinds of work having to do with the operation of saw-mills and with the building and operation of logging railroads. The remaining three thousand made up three road and bridge-building battalions to serve as auxiliary to the logging and saw-mill units. These road building battalions were composed of men who were familiar with rock crushers, road rollers, scrapers, graders, motor-truck driving, and the work of common laborers. There were also such workers as tracklayers, track bosses, locomotive engineers and firemen, brakemen, machinists, and so on.

By June, 1918, there had been organized five new regiments and nineteen battalions of railway engineers in addition to similar regiments already abroad. This meant that approximately fifty thousand American workingmen were engaged in the work of railroad construction and operation in France. The organization of the first railway regiment was early in 1917 when six railroads having headquarters in Chicago recruited one company each. In May, 1917, steps were taken to organize eight other similar regiments. One of the very first requests transmitted to the United States Government by France after America had entered the war was for assistance in strengthening the French railway system to meet the increasing war strain. Among the railway supplies sent from this country were 1727 engines, 22,630 freight cars and 359,000 tons of steel rails. In addition there were vast quantities of rail fastenings, turn-outs, ties, and other track material, as well as the supplies required in building terminals. Much of the task performed by these workers had to do with the construction of terminals and terminal facilities, including wharfs, docks, and lighterage at the water front, switching facilities at inland points, round houses, and so on.

Similarly other workers enlisted as soldiers actually engaged in industrial pursuits, in this country as well as in the war territory in France, indicating still further the extraordinary extent of the demand for skilled workers for military service other than that of the strictly fighting branches of the Army and Navy.

The exigencies of the war also brought wholly unexpected demands for workers in entirely new fields of endeavor. For illustration, the Signal Corps of the Army needed men trained in photographic work. To secure them a school for aerial photography with a course of training covering four weeks was established at Rochester, New York. These workers included laboratory and dark room experts and especially fast news photographers familiar with developing, printing, enlarging, retouching, finishing, and panchromatic photography — men

who could take a plate from the airmen and produce from it ten minutes later a finished enlargement. Others of these workers were camera and optical construction and repairmen, lens experts, cabinet makers, instrument makers, and so on — skilled mechanics who could keep the whole delicate equipment in good condition. Still others were experts familiar with map compilation, map reading and interpretation, topographical science, and drafting, and possessing trained analytical powers — men who could fit the finished prints into their proper places in the photographic reproduction of the German front, work out the information disclosed, and keep the whole map a living hour-to-hour story of the things the Germans were doing about which American commanders should know.

Then, there were the workers in camouflage, the latest of the arts of military concealment. Special camouflage companies were organized comprising iron workers, sheet metal workers, carpenters, cabinet makers, stage carpenters, property men, plaster molders, photographers, scene painters, sign painters, and the like. The task of these workers was to set up dummy cannon for the eyes of the hostile aeroplanes; to make old boots and broken stakes from destroyed barbed-wire entanglements conceal periscopes; to produce a papier-mache steel-lined counterfeit of a dead horse or a shell-blasted tree trunk; to transform the roofs of aeroplane sheds so that from above they appeared to be wheat fields and the tops of railroad trains so that to the occupants of hostile aeroplanes they looked like workingmen's cottages. Even the painting of canvas above a bridge while it was being constructed, so as to make the canvas appear as a river and concealing the bridge beneath, was not beyond the requirements demanded of camouflage workers.

These workers of America — these toilers in mines and mills and shops and yards and offices and plants and factories and storage depots and lumber camps, and on the farms and railroads, and at the piers and wharfs and docks of the ports of debarkation, and in the hulls of ships, and wherever in fact

the wheels of industry and of production had to be kept moving — these men and women "in the second line of trenches" were fighting the Imperial German Government just as effectively as their blood-brother soldiers and marines in the first line of battle. Their activities were controlled and guided and they were moved to intensity of action by the same motives and impulses that operated upon the men in olive drab and navy blue. They, too, were serving their country in its hour of need — they, too, were working for their Government.

This is true literally as well as figuratively. The United States Government actually became the immediate employer of millions of men and women and indirectly of many other millions. It took over direct control and operation of the railroads of the country with their 2,000,000 employes, and of the telegraph and telephone lines; it built ships direct through its United States Shipping Board Emergency Fleet Corporation and the Navy Department; it constructed dwellings through its United States Housing Corporation and other buildings through the War and Navy Departments; it controlled the production of coal through the United States Fuel Administration, and in most of the cases where production was continued by privately owned industries, even these were operated under contract with the Government.

A vast nation-wide industry operating on a scale of heretofore inconceivable magnitude under direct Government supervision, had to be created, organized, correlated, and made to function in the production and distribution of an adequate supply of food, of clothes, of equipment, of munitions, and of transportation to the firing line. This meant that virtually every industry in the entire country — every mine and mill and plant and factory — from the smallest to the largest had to be made to fit in with the needs of the fighting forces. At the same time there were the needs of the civilian population that could not be ignored or neglected. Not only America's actual industrial power but America's potential productivity in practically all lines of human endeavor in the transformation of

raw material into the finished product had almost immediately to be stretched even beyond that conceivable potentiality. It was an urgent necessity that peace time production in many lines be multiplied a hundred and even a thousand fold and translated almost instantly into terms and instrumentalities of military effectiveness. Organization to this end had to be made to come out of America's unorganized mass of available resources. The emergency was so great as not to permit of an alternative. It was such as to demand that the National Government itself take complete control of production and distribution. And this it did.

## CHAPTER VII

### THE GOVERNMENT AS THE EMPLOYER

WITH the Government the national employer, either directly or indirectly, of virtually the greater number of all the workers, and with all male citizens of military age subject to its orders, it was in a position, as it was under the necessity, of organizing them into what was practically a nation-wide workshop under one centralized authority and with but one purpose, that purpose being victory over the Imperial German Government. Its primary task was to select out the soldiers from among the male citizens, and in the direction of accomplishing this Congress enacted the Selective Service Act of May 18, 1917, which affected all male citizens between the ages of twenty-one and thirty.

The purpose of this legislation in its broader aspects was succinctly stated by President Wilson in his Proclamation fixing June 5 as the date for registration:

"In the sense in which we have been wont to think of armies," said the President, "there are no armies in this struggle. There are entire nations armed. Thus the men who remain to till the soil and man the factories are no less a part of the army that is in France than the men beneath the battle flags. It must be so with us. It is not an army that we must shape and train for war; it is a nation. To this end our people must draw close in one compact front against a common foe. But this cannot be if each man pursues a private purpose. All must pursue one purpose. The Nation needs all men; but it needs each man, not in the field that will most pleasure him, but in the endeavor that will best serve the common good. Thus, though a sharpshooter pleases to operate a triphammer for the forging of great guns, and an expert machinist desires to march with the flag, the Nation is being served only when the

sharpshooter marches and the machinist remains at his levers. The whole Nation must be a team in which each man shall play the part for which he is best fitted. To this end, Congress has provided that the Nation shall be organized for war by selection and that each man shall be classified for service in the place to which it shall best serve the general good to call him.

"The significance of this can not be overstated. It is a new thing in our history and a landmark in our progress. It is a new manner of accepting and vitalizing our duty to give ourselves with thoughtful devotion to the common purpose of us all. It is in no sense a conscription of the unwilling, it is rather selection from a nation which has volunteered in mass. It is no more a choosing of those who shall march with the colors than it is a selection of those who shall serve an equally necessary and devoted purpose in the industries that lie behind the battle line. The day here named is the time upon which all shall present themselves for assignment to their tasks."

The act of May 18 authorizing the President to increase the Military Establishment of the United States looked to three sources for the Army which it created. First, it provided for an increase in the Regular Army from 250,157 men and officers on June 30, 1917, to 488,218, this increase being effected by the immediate call of the increments provided in the National Defense Act of 1916 and the raising of all branches of the service to war strength. Second, the National Guard, reorganized under the National Defense Act and containing 111,123 officers and enlisted men on June 30, 1917, was to be recruited to full war strength of 470,177 officers and enlisted men. Third, a new National Army was to be created through the process of selective conscription or draft, the President being empowered to summon two units of 500,000 men each at such time as he should determine.

Next in importance only to this paramount military necessity were the economic needs of the nation for man power. This meant that men whose removal to the army would interfere seriously with industrial and agricultural pursuits should be taken in the order in which they could best be spared. As the military needs required that there be provided in every com-

munity a list of names of men who would be ready at any time to be called into service, so the industrial demands made it most essential that there should also be accessible the names and industrial qualifications of all men. Thus the man power of the country needed to be classified for two distinct purposes, each of vital importance to the winning of the war.

The experience of Great Britain and France, and particularly that of England, had proven how vitally important it was to prevent those men being drafted into military service who were indispensable to the steady flow of munitions of war and of commodities necessary to maintain the working and civilian population. At the beginning of the war Great Britain had rushed men to the front regardless of whether they were necessary in munitions and other production, with the result that when the Army was in the trenches needless loss of life resulted because the men were not sufficiently supplied with arms. This brought England to a tardy recognition of the fact that men in munitions plants were just as essential as men on the firing line. Then began the intricate and tedious process of filtering out from among the fighting forces the skilled mechanic to do the munitions work. America fortunately learned a valuable lesson from England's experience.

With this in mind the selective draft law made provision for classifying the names of all men liable to service. These were next arranged in five groups in the inverse order of their importance to the economic requirements, these latter including the maintenance of essential industries and agriculture and the support of dependents. All this was provided for in the enforcement of the registration and draft acts. The order of liability to military service was determined by the national lottery drawing at Washington to which reference has already been made.[1] This assigned by number to every registrant in every community an order of availability for such service relative to all other men not permanently or temporarily exempted or discharged. The effect of classification in Class I, for il-

[1] Chapter IV, page 35.

lustration, was to render every man so classified almost immediately liable to military service, but in the order determined by the national drawings. The effect of classification in Class II was to grant a temporary discharge from the draft effective, however, only until Class I was exhausted; so with those making up Classes III and IV. The effect of classification in Class V was to grant exemption or discharge from the draft.

Thus in the administration of the Selective Service Law for filling the ranks of the armies an effort was made to strike a balance between the military necessity and the industrial and agricultural or economic needs of the Nation by which men would be placed in the service or occupation that best served the common good. The need for men was in relative importance as follows: 1, military service; 2, manufacture of arms, munitions, and like means of warfare; 3, production of food and fuel supplies for ourselves and our allies; 4, operation of the railroads and the construction and operation of ships.

The Priorities Board of the War Industries Board, in formulating a list of preferred industries, established thirty-two classes as comprising a preference list that supplied the key to the relative importance of all the country's manifold industrial enterprises. The values were established by surveys as to the nation's needs and, once established, the list was maintained by a system of priority in determining the use of the six basal elements of industry. These elements the board stated as being material, facilities, fuel, transportation, labor, and capital.

The problem of the Government as the employer was a shortage of workers. Not so much a shortage in numbers but because the peace-time workers were not in the positions demanded by war-time production. Putting the situation another way — the Government was called upon to accomplish immediately a greater amount of work absolutely essential to the winning of the war than there were men and women in the positions it was necessary for them to be in to perform that work. Its primary task, therefore, was to get them in these positions at the earliest possible moment.

At the beginning of America's participation in the war the manufacturing plants of the country had no large resources, owing to domestic consumption and unusual foreign orders. In the equipment of its armies the United States had to depend almost entirely upon its own resources, and to have expected its peace-time industries to house, clothe, feed, equip, and transport these millions of men would have been to expect the impossible. Many industries, some of them entirely new to American workers, had to be quickly organized and in hundreds of instances additional factory and plant facilities had to be provided for peace-time industries. Along with the process of mobilization in manufacturing had to go a radical readjustment of all trade channels of demand and supply.

The Provost Marshal General in his report January, 1918, to the Secretary of War on the operation of the Selective Service Act stated that the needs of the war had resulted in an unprecedented demand for labor in the vital fields of (1) shipbuilding and operation, (2) munitions manufacture, and (3) agriculture.

"The guiding principle of this office," he stated, "must be 'military effectiveness first,' but when military effectiveness is enmeshed with marine effectiveness, as it must be in a foreign war on a battlefield three thousand miles from our coast line, there is no room for hesitation. If our soldiers are to be effective, if the munitions we produce are to be effective, if our agricultural productiveness is to be effective, we must produce the bottoms to carry all abroad. . . . Since we are in war military effectiveness comes first, but there never was a more fortunate corollary for the Nation than that marine effectiveness comes next. However, soldiers are helpless without weapons, and what has been said can never be taken to mean that the manufacture of munitions is to be hampered by the building of ships or the disproportionate raising of armies.

"All of these things are to be carried synchronously forward, and the problem is simply one of relative adjustment from month to month and year to year, with no thought of carrying one to a disproportionate prejudice of the other. The same is true of agricultural productiveness. The problem is to carry each evenly forward, avoiding the destruction of any.

It must not be forgotten, however, that the problem does not stop here. The entire effectiveness of the Nation has not been envisioned when we have mentioned the manufacture of the instruments of war, the instrumentalities for the overseas transportation of them, and the men who are to manipulate them. The Nation must be an economic integer and a very effective one, and all is by no means said when these essentials are mentioned."

Towards the accomplishment of this the Selective Service Act was an instrument of compelling force in controlling the labor supply throughout the United States and in distributing it in the strategic industries. By means of this act the entire industrial field was explored, provision of facile and effective methods perfected, and supple control exercised in coördinating the man power of the Nation and fostering the industries in an impartial balance that would carry forward all the varied endeavors to a successful fruition. An illustration of this is the granting of immunity from the draft to workers employed in the construction and fitting out of ships under the control of the Navy Department and the Emergency Fleet Corporation of the United States Shipping Board when it became evident beyond dispute that there were not enough men in the shipyards to carry forward the projects. The immediate effects were such as to remove the serious shortage of labor that had prevailed in shipbuilding.

Under the operation of the Selective Service regulations the Government was able to secure a complete inventory of the man power of the country, including information as to the qualifications and industrial and domestic circumstances of each registrant. There was also secured a definite classification of all registrants into the five classes provided for according to their relative availability for military service with regard to their industrial, agricultural, and domestic importance to the Nation. This permitted the deferment of skilled, key, and pivotal men essential to the industries. It also enabled as many as 240,000 transfers of men from one unit to another to take place in Army camps up to June, 1918. At that time

these transfers were averaging forty thousand a week. An organization existed in each Army camp by which enlisted men and commissioned officers were classified according to occupational qualifications. The central personnel bureau at Washington received reports soon after the arrival at camp of each draft increment, showing the number of skilled and semi-skilled men in different occupations, thus enabling quick transfers to the Signal Corps, Ordnance, Quartermaster, and other corps of the Army and the supporting industries which were constantly calling for specially skilled men. Among these transfers were mechanics of all kinds, chauffeurs, chemists for gas defense work, physicists and meteorologists for aviation purposes, surgical instrument repairers, bacteriologists, map draftsmen, refrigeration experts, crane operators, foresters, railroad builders, railway shop workmen, accountants, gunsmiths, and ordnance specialists and workmen for engineer regiments, and so on.

There was also created by the Selective Service regulations a committee on education and special training under the direction of the Chief of Staff. This committee's task was to study the Army's needs for skilled men and technicians, to determine how such needs could best be met, to secure the coöperation of the educational institutions of the country, to represent the War Department in its relations with such institutions, and to administer a plan of special training in schools and colleges. It also encouraged and arranged for the technical education of needed men. Associated with the committee was an advisory civilian board of educators.

The Federal Board for Vocational Education was organized in July, 1917, for the purpose of organizing vocational education work in the forty-eight States and in other ways assist the war-making branches in training men for special duties. Classes for conscripted men were instituted in the public schools; emergency training courses for Army occupations were prepared for use under direct supervision of the board, in classes organized by the War Department among enlisted

men, and for classes conducted on a commercial basis under private civilian control. These courses were for men in mechanical and technical occupations in the air service of the Signal Corps, shipyard workers, motor-truck drivers, chauffeurs, machine shop operatives, blacksmiths, sheet metal workers, pipe fitters, electricians, telephone repairmen, linemen, cable splicers, gas enginemen, motor car and motorcycle repairmen, oxyacetylene welders, airplane mechanics, engine repairmen, wood workers, riggers, and so on. By June, 1917, twelve thousand men had been trained for vocational education and turned over to various war service departments, these men comprising six thousand in mechanical lines, five thousand in radio work for the Army, Navy, and mercantile marine, and one thousand in clerical occupations for the Quartermaster Corps.

All this registering, classifying, sorting, transferring, and training by the Government was necessary in order to place the men and women workers in the positions in the military branches and in the industrial pursuits where they could best serve the Nation. It was an unprecedented task and was performed unprecedentedly well. But it was only a small part of the complete task set for the Government.

After the worker was placed, what was to be his or her relation and that of the Government towards all those disputed and vexatious and troublesome questions of employment which for years had been in controversy between employer and employe and which are concretely summarized as the labor problem? As to the workers in the strictly military branches, this relation was determined by statute. But with regard to the millions in industrial pursuits employed directly by some department or bureau of the Government or by some corporation or contractor working directly for the Government, there was no provision by statute for determining this relation. Suddenly and unexpectedly the National Government had been forced into the position of the employer. What kind of an employer was it to be?

If all at once you were compelled to become the principal employer of the workingmen in the United States what policy would you make effective as to the wages you paid and the terms and conditions of employment you imposed upon or exacted from your workers? This is the question the United States Government was called upon to decide almost immediately upon the declaration of war against the Imperial German Government in April, 1917.

Would you, in conference with your employes, provide for them a properly constituted tribunal where all disputed questions affecting their employment were decided fairly and impartially? Or would you dogmatically assume to decide such questions yourself and tell your workers that if they did not like your decision they could get employment elsewhere?

Would you demand of your employes that they work fourteen or twelve or even ten hours each day? Or would you fix the length of the work-day in consultation with your workers at eight hours? Would you require them to work on Sundays and holidays? And if you did, or if you required them to work more than eight hours each day, would you pay them time and one-half or double time wages for all extra hours they worked?

Would you increase their wages? If so what standard of measurement would you make use of to determine the amount of increase? Would the increase in the cost of living to your employes be a matter of concern to you? What relation would you make this increase bear to their wages?

Would you "recognize the union," that is, would you discuss with representatives of the organization of your employes through joint or collective bargaining machinery the multitudinous questions of employment that come up between employers and employes? Perhaps you would refuse to permit your employes even to organize a union! It may be that you would declare for the "open shop" so-called!

As the employer, would you concern yourself with measures for the prevention of accidents to your employes while at work?

With the conservation of their health? With the securing of sanitary conditions in their work places? With the protection, through old age pensions and the like, of faithful employes who were no longer able to work for you? With the safeguarding of your employes against the terrible effects of unemployment? With the unusual problems arising from the industrial employment of women and children?

Would your employes participate in the management of that particular part of your business which bears directly upon matters concerning their employment? Would they participate in your surplus profits? Would you have shop committees?

In brief, What kind of an employer would you be? A believer of autocracy or of democracy in industry?

It was the answer the Wilson Administration gave to these questions that was responsible, in large part, for the successful performance by the American workingman of the stupendous task he was called upon to accomplish in the winning of the war.

## CHAPTER VIII

### THE WILSON ADMINISTRATION'S LABOR POLICY

ATHWART the channels of strikes and lockouts and like interruptions to and limitations upon the continuous production of commodities and services, which the course of the labor movement the past several decades preceding the European war had cut deep into the processes of industry, the Government as the national employer was now called upon to provide a means of passage. It requires an unusually high degree of statesmanship to perceive clearly, through the murk of internal differences and disputes between classes or groups, the one thing necessary in order to accomplish a desired end and to apply successfully that particular remedy. The Wilsonian statesmanship as applied to the disturbed labor situation was of this character.

Among the more important industrial controversies in progress in this country when the United States declared war, were the acute labor disputes in the coal mines of Pennsylvania, affecting 80,000 mine workers, and of Alabama, involving 25,000 other mine employes; in the shops of the Southwestern group of railroads affecting 42,000 mechanics; in the shipyards of the Atlantic and Pacific Coast States involving nearly 300,000 men; in the meat packing industry of Chicago but affecting this food supply of the entire country; in the copper mines of Arizona; in the oil fields of southern California; in the telephone industry of Washington, Oregon, California, Idaho, and Nevada; in the lumber industry of the Pacific Northwest; among virtually all classes of employes of the railroads; and numerous other less important disturbances in different industries in all parts of the country.

"The war can be lost in America as well as on the fields of France," the President saw distinctly,[1] and he also perceived as clearly that "ill-considered or unjustified interruptions of the essential labor of the country" would bring this dire result. The duty "to avoid such interruptions to industry wherever they can be avoided without the actual sacrifice of essential rights rests upon the employer as imperatively as upon the workman," he said. "No man can afford to do injustice at any time but at this time justice is of the essence of national defense, and contests for any sort of advantage that at other times would be justified may now jeopardize the very life of the Nation." Therefore, "no controversy between capital and labor should be suffered to interrupt" the essential labor of the country "until every instrumentality set up by the Government for its amicable settlement has been employed and its intermediation heeded to the utmost; and the Government has set up instrumentalities wholly fair and adequate."

"To stand together," said the President in an address before the American Federation of Labor convention at Buffalo November 12, 1917, "means that nobody must interrupt the processes of our energy if the interruption can possibly be avoided without the absolute invasion of freedom. To put it concretely, that means this: Nobody has a right to stop the processes of labor until all the methods of conciliation and settlement have been exhausted. And I might as well say right here that I am not talking to you alone. You sometimes stop the courses of labor, but there are others who do the same, and I believe that I am speaking from my own experience not only, but from the experience of others when I say that you are reasonable in a larger number of cases than the capitalists. I am not saying these things to them personally yet, because I have not had a chance, but they have to be said, not in any spirit of criticism, but in order to clear the atmosphere and come down to business. Everybody on both sides has now got to transact business, and a settlement is never impossible when both sides want to do the square and right thing.

[1] Telegram to the St. Paul convention of the American Alliance for Labor and Democracy, June 11, 1918.

"Moreover, a settlement is always hard to avoid when the parties can be brought face to face. I can differ from a man much more radically when he is not in the room than I can when he is in the room, because then the awkward thing is he can come back at me and answer what I say. It is always dangerous for a man to have the floor entirely to himself. Therefore, we must insist in every instance that the parties come into each other's presence and there discuss the issues between them and not separately in places which have no communication with each other. . . .

"We are all of the same clay and spirit, and we can get together if we desire to get together. Therefore, my counsel to you is this: Let us show ourselves Americans by showing that we do not want to go off in separate camps or groups by ourselves, but that we want to coöperate with all other classes and all other groups in the common enterprise which is to release the spirits of the world from bondage. I would be willing to set that up as the final test of an American. That is the meaning of democracy. The fundamental lesson of the whole situation is that we must not only take common counsel, but that we must yield to and obey common counsel."

As production of vitally essential commodities for the successful prosecution of the war was being seriously interfered with by the disturbed labor conditions, there were two fundamentally important acts the Government was clearly called upon to perform by the facts and the logic of the industrial situation which confronted the people at the outset of their participation in the war. The first of these acts was to find out by investigation what were the direct operating causes of this interruption, and the second was to apply a remedy.

In carrying out the determination of the Government to omit nothing which might aid in the immediate adjustment of all disturbances of every character in progress throughout the country, the President appointed a commission early in the war.[1] "I have listened with attention and concern to the

[1] The members of the commission were William B. Wilson, Secretary of Labor; J. L. Spangler of Pennsylvania, Verner Z. Reed of Colorado, John H. Walker of Illinois, and E. P. Marsh of Washington.

numerous charges of misconduct and injustice that representatives both of employers and of employes have made against each other," says the President's official memorandum.[1] "I am not so much concerned, however, with the manner in which they have treated each other in the past as I am desirous of seeing some kind of a working arrangement arrived at for the future, particularly during the period of the war, on a basis that will be fair to all parties concerned."

It was the task of the commission to visit, in each instance, the governor of the State and advise him that they were there as the personal representative of the President of the United States with a view to lending sympathetic counsel and aid to the State government in the development of a better understanding between employes and employers. The commission was also to deal with employers and employes in a conciliatory spirit, seek to compose differences and allay misunderstanding, and in any way that might be open to them to show the active interest of the National Government in furthering arrangements just to both sides. Wherever it was deemed advisable conferences of employers and employes were to be called with the purpose of working out a mutual understanding between them which would insure the continued operation of the industry on conditions acceptable to both sides. The commission was also to learn the real causes for any discontent which existed on either side, not so much by the formal process of public hearings but by getting into touch with workmen and employers by the more informal process of personal conversation.

This commission had particularly to do with industrial controversies already in progress or about to be precipitated, and especially concerning such labor conditions in the mountain region of the Northwest and on the Pacific Coast. It reported at some length in January, 1918, the results in specific labor adjustments which it had undertaken, an analysis of the difficulties and tendencies making for industrial instability, and recommended a policy as to the direction that should be taken

[1] Published September 20, 1917.

in labor matters during the period of the war. The specific labor disputes referred to were the strikes in the copper mines of Arizona, the unrest in the lumber industry of the Pacific Northwest, the threatened strike in the oil fields of southern California, on the telephone lines of the Pacific States, and in the packing industry centering in Chicago, and the general labor unrest in the shipbuilding and aircraft production industries. As to each of these situations the report set forth the existing relation of employers and employes, the causes of the unrest, the steps necessary for the removal of such causes, a history of the strikes, the nature of the settlement where adjustment was made by the commission, and how this settlement was working.

Into each situation, backed by the authority of the National Government, and supported by the patriotism of both employers and employes, the commission simply injected the instrumentality of industrial democracy which the preceding forty and more years of the labor movement had built up. This was the institutional machinery for joint bargaining. It presupposes not only the existence of an organization of the workers, for without such organization joint or collective bargaining between employer and employe is an impossibility, but also the "recognition" of this organization and its representatives on the part of the employer. Such machinery, under the supervision of an impartial federal administrator, was established in the telephone industry of the Pacific Coast States, in the southern California oil fields, in the Chicago meat packing industry, and in the copper mines of Arizona. A brief summary of the settlement of the labor controversy in the copper industry can be taken as an illustration.

There was established for each mine a worker's grievance committee entirely free from all direct or indirect influence of the company. This committee was composed exclusively of men working at each mine, with the right of members of the union to have a union representative in the presentation of grievances. There was to be no discrimination against an

employe because he belonged to the union. Appeal to a United States Government administrator was provided for whose decision was binding on both parties on all disputed questions of fact as to which the management and employes could not agree. Old and new grievances were promptly heard, in one district as many as two hundred and fifty being disposed of in five weeks. Not a few of these were naturally found to be trivial or groundless — they were an inheritance of the preceding condition of autocratic domination by the corporation.

Re-employment was effected of those employes who went out on strike, except those guilty of seditious utterances against the United States or those having membership in an organization which did not recognize the obligation of a contract. In providing for re-employment the district instead of the individual mine was treated as an industrial unit, re-employment being secured through a central employment committee for the district. The question of a wage increase was left to the Government administrator after an investigation of the facts. The machinery thus provided was designed to prevent strikes and lockouts, and was to be in effect during the period of the war.

For the purpose of formulating a national labor policy and for devising and providing a method of labor adjustment which would be acceptable to employers and employes at least for the war emergency period, the Wilson administration created on January 28, 1918, the War Labor Conference Board consisting of five representatives of employers, five representatives of employes, and two of the general public. Among the five representatives of employers were four who had never dealt with organized labor in the conduct of their industries. The five representatives of the employes were officials of national and international labor unions whose members were almost entirely engaged in war production. The members of the board were appointed by the Secretary of Labor upon nomination by the president of the National Industrial Conference Board, an organization of employers, and the president of the American Federation of Labor, the latter representing all

the more important labor unions of the country with the exception of the four railway brotherhoods whose members were engaged in the operation of trains. Each of the two groups thus selected chose one of the two representatives of the public.[1]

This board presented a formulation of industrial principles which represented the Administration's labor policy and which were to govern the relations between workers and employers in war industries for the duration of the war. These principles are as follows:

There should be no strikes or lockouts during the war.

The right of workers to organize in trade unions and to bargain collectively through chosen representatives is recognized and affirmed. This right shall not be denied, abridged, or interfered with by the employers in any manner whatsoever.

The right of employers to organize in associations of groups and to bargain collectively through chosen representatives is recognized and affirmed. This right shall not be denied, abridged, or interfered with by the workers in any manner whatsoever.

Employers should not discharge workers for membership in trade unions, nor for legitimate trade union activities.

The workers, in the exercise of their right to organize, shall

[1] The members of the board were Mr. L. F. Loree, president of the Delaware and Hudson Railroad Company; Mr. Loyall A. Osborne, vice-president of the Westinghouse Electric and Manufacturing Company; Mr. C. Edwin Michael, president of the Virginia Bridge and Iron Company; Mr. W. H. Van Dervoort, president of Root and Van Dervoort Engineering Company; and Mr. B. L. Worden, vice-president of the Submarine Boat Corporation, representing employers; Mr. Frank J. Hayes, president of the United Mine Workers of America; Mr. William H. Johnston, president of the International Association of Machinists; Mr. T. A. Rickert, president of the United Garment Workers of America; Mr. W. L. Hutcheson, president of the United Brotherhood of Carpenters and Joiners of America; and Mr. Victor A. Olander, representative of the International Seamen's Union of America, representing employes. The representatives of the public were ex-President William Howard Taft and Mr. Frank P. Walsh.

not use coercive measures of any kind to induce persons to join their organizations, nor to induce employers to bargain or deal therewith.

In establishments where the union shop exists the same shall continue and the union standards as to wages, hours of labor, and other conditions of employment shall be maintained.

In establishments where union and non-union men and women now work together, and the employer meets only with the employes or representatives engaged in said establishments, the continuance of such condition shall not be deemed a grievance. This declaration, however, is not intended in any manner to deny the right or discourage the practice of the formation of labor unions, or the joining of the same by the workers in said establishments, as guaranteed in the preceding paragraph, nor to prevent the War Labor Board [1] from urging, or any umpire from granting, under the machinery herein provided, improvement of their situation in the matter of wages, hours of labor, or other conditions, as shall be found desirable from time to time.

Established safeguards and regulations for the protection of the health and safety of workers shall not be relaxed.

If it shall become necessary to employ women on work ordinarily performed by men, they must be allowed equal pay for equal work and must not be allotted tasks disproportionate to their strength.

The basic eight hour day is recognized as applying in all cases in which existing law requires it. In all other cases the question of hours of labor shall be settled with due regard to governmental necessities and the welfare, health, and proper comfort of the workers.

The maximum production of all war industries should be maintained, and methods of work and operation on the part of employers or workers which operate to delay or limit produc-

[1] The creation of this board was recommended in the report. See Chapter XIII for a discussion of the operation of this board.

tion, or which have a tendency to increase artificially the cost thereof, should be discouraged.

In fixing wages, hours, and conditions of labor regard should always be had to the labor standards, wage scales, and other conditions prevailing in the localities affected.

The right of all workers, including common laborers, to a living wage is hereby declared.

In fixing wages, minimum rates of pay shall be established which will insure the subsistence of the worker and his family in health and reasonable comfort.

For the purpose of mobilizing the labor supply with a view to its rapid and effective distribution, a permanent list of the number of skilled and other workers available in different parts of the Nation shall be kept on file by the Department of Labor, the information to be constantly furnished by the trade unions, by State employment bureaus and Federal agencies of like character, and by the managers and operators of industrial establishments throughout the country. These agencies should be given opportunity to aid in the distribution of labor, as necessity demands.

Such is the compass or chart of industrial "rights" for both employer and employe which the Wilson Administration had formulated as a guide for the United States Government as the national employer and for all others engaged on war work for the duration of the conflict with Germany. To the employer and the Government was assured maximum production within proper and reasonable limitations. To the worker was assured the right to organize and a certain degree of protection to his economic welfare. To the public was assured the establishment, even though in a limited degree, of the principles of industrial democracy — assured at least for the period of the war that was being fought against autocracy in order "to make the world safe for democracy."

# CHAPTER IX

## THE GOVERNMENT AND THE RAILWAY EMPLOYES

THESE principles of a code of industrial ethics to govern the relations between employers and employes engaged in essential war production were not conceived out of nothing by the War Labor Conference Board. All of them are well recognized principles of right conduct which the progress of the labor movement has established in not a few of the more important industries. The real difficulty in these industries was the absence of properly organized machinery for the application of the principles to the concrete cases of individual employes — machinery in the conduct and operation of which both employer and employe could have explicit confidence as to its impartiality and disinterested motives.

This situation is probably exemplified most strikingly in the case of the railroads of the country. They employed about 1,700,000 men in pursuits which brought them within the influence of the labor union. The numbers engaged in the principal occupational groups as classified by the Interstate Commerce Commission[1] were as follows:

| | |
|---|---|
| Maintenance of way | 449,000 |
| Maintenance of equipment and mechanical | 389,000 |
| Train operation | 227,000 |
| Yard employes | 184,000 |
| Clerks | 183,000 |
| Station employes | 133,000 |
| Dispatchers and telegraphers | 67,000 |

Much the larger number of these employes were members of some one of the fourteen organizations that were in existence

[1] Statistics of Railways, Interstate Commerce Commission.

among them. All of these, with the exception of the four brotherhoods whose members operated the trains, were affiliated with the American Federation of Labor. In probably no other single industry are the workers more strongly and compactly organized into labor unions or brotherhoods. Consequently they have been able to establish principles governing the conditions of their employment and their relations with the employers which are more advantageous to the employes than those that prevail in almost any other industry. Nearly all the railroad corporations "recognized" these unions and dealt with their official representatives through joint bargaining machinery. This had reached such a point of development by 1910 that what are known as concerted wage movements were conducted at the same time against all the railroads in each of the three territorial districts by two or more of the brotherhoods whose members operate the trains; and in 1914 all four unions representing the engineers, firemen, conductors, and trainmen united in a common demand upon all the railroads of the entire country for the eight hour work day. These concerted movements usually consumed more than twelve months from the time of their inauguration until a decision was reached. This decision was made in every case but that of the eight hour day[1] movement by a board of arbitration appointed by the President of the United States, the representatives of the unions and the railroads always being unable to come to an agreement on the demands of the employes. On these boards representatives of the unions were appointed as members and thus received official recognition. All this involved hearings, the establishing of statistical bureaus by both sides to the controversy, the preparation and presentation before the board of evidence bearing on the demands, and in fact the creation of almost all the paraphernalia of courts of law necessary for the ascertainment of the facts and the meting out of justice.

[1] The eight-hour work day in train operation was established by federal law in the enactment in 1914 of the Adamson Act by Congress.

Notwithstanding this development of industrial machinery the relations between the railways and their employes were far from being satisfactory to the workers, to the officials of the companies, or to the public. The employes complained of low wages, of maladjustments in wages as between individuals in the same occupation and as between occupations, of excessive hours of work in particular occupations, of the absence of proper machinery for deciding fairly the many disputed questions that were constantly agitating their grievance committees, and so on indefinitely. In fact, at the very moment of the entrance of the United States into the war the engineers, firemen, conductors, and trainmen, as well as other organized railway employes, were making demands upon the transportation corporations. The necessities of war required that the direct control and operation of the more important of these transportation lines be taken over by the National Government. This action in December, 1917,[1] had the effect of making every railroad employe on these lines virtually an employe of the Government.

Here, too, the Wilson Administration exhibited a high degree of statesmanship in the labor policy which it applied to the situation. It first appointed the disinterested public-spirited commission to which reference has already been made.[2] This

[1] The statement accompanying the Proclamation of President Wilson taking over the railroads under federal administration said that "it is necessary for the complete mobilization of our resources that the transportation systems of the country should be organized and employed under a single authority and a simplified method of coordination which has not proved possible under private management and control." The railroads were taken possession of for the Government by the Secretary of War and control was assumed at twelve o'clock noon December 8, 1917. Control and operation of the systems were exercised by the Secretary of the Treasury, appointed and designated as Director General of Railroads, through Regional Directors.

[2] Chapter II, page 19. The members of the commission were Mr. Franklin K. Lane, Secretary of the Interior; Mr. Charles C. McChord, a member of the Interstate Commerce Commission; Mr. J. Harry Cov-

commission conducted an investigation as directed and reported its findings and conclusions to the Director General of the United States Railroad Administration. It found wages too low in many occupations, as already stated on page 19, and it recommended specified changes in compensation which it believed would be more fair to the employes affected. These increases it estimated would total $300,000,000 a year for all the railroads of the entire country. Whatever the effects upon the mind may be of the magnitude of this amount, says its report, "we regard such an expenditure as necessary for the immediate allaying of a feeling that cannot be wisely fostered by national inaction, and as not one dollar more than justice at this time requires. It will make hard places smoother for many who are now in sore need. It gives no bounty. It is not a bonus. It is no more than an honorable meeting of an obligation."

The findings of the commission as to increases in wages were made effective, with slight modifications, by the Director General under date of May 26, 1918, in General Order No. 27. Some of the monthly increases were as high as 43 per cent. for employes receiving under $46 per month, the percentage gradually decreasing in a constant ratio, leaving no increase to employes whose monthly wages were $250 and more in December, 1915. While this ratio appears uniform, the actual increases in dollars and cents extended from $20 a month to the lowest paid men up to $33.60 for those receiving $82 in December, 1915, gradually dropping to no increase for the higher paid men. Wherever wages or rates of overtime were higher than those fixed by the Director General's Order they remained undisturbed, and no adjustment of hours of work was to be permitted which would serve to deprive any employe of the full amount of the increased compensation to which he was entitled under the award.

ington, Chief Justice of the Supreme Court of the District of Columbia; and Mr. William R. Willcox, formerly chairman of the New York Public Service Commission.

Colored firemen, trainmen, and switchmen, in addition to securing the wage increase recommended by the commission, had their wages advanced on June 1, 1918, to the same as that of white men employed on the same roads in the same kind of work.

On the question of establishing the eight hour work day for those employes not so benefited by the Adamson Act, the Director General did not follow the adverse recommendation of the Wage Commission. Instead, in the rules governing conditions of employment which he promulgated, the eight hour day was established as the basis upon which all further wage adjustments were to be made without, however, reducing the hours of employment or increasing at that time the total compensation fixed for the number of hours worked in excess of eight.

Within the Railroad Administration there was created a Division of Labor with a director at its head who had supervision over all labor matters as advisor to the Director General. Mr. W. S. Carter, president of the Brotherhood of Locomotive Enginemen and Firemen, was appointed director. "One of the principal purposes of the creation of the Division of Labor," he says, in his first annual report,[1] "was to provide means whereby the controversies that constantly arise between railroad officials and employes would be promptly and equitably adjusted. An inability to adjust these controversies under past practices resulted in strikes, threatened strikes, or a constant unrest among employes to the extent that the efficiency of the service had greatly diminished at the time that the roads were taken over under Federal control."

The labor situation on the railroads prior to their being taken over by the Government Mr. Carter summarizes as follows:

"During the two or three years antedating Federal control of the railroads an alarming situation was created in that the

[1] Annual Report Director General of Railroads, Division of Labor, 1918.

employes' organizations as a whole and through federations, found themselves confronted with similar federations on the part of the railroads, the roads being represented by conference committees and the conference committees being subordinate to 'advisory committees.' It was alleged by employes that these conference committees of all of the principal railroads in a district were not permitted to grant the demands of employes or even to make favorable compromises without the consent of the advisory committee. The advisory committee, it is alleged, was the agent of the great banking institutions that controlled the financial policy of all the railroads.

"Arbitrations have been resorted to in the later years in these district movements, with the result that employes reached the conclusion that an arbitration award depended entirely upon the frame of mind of the neutral arbitrator. Persons selected to perform this function were liberal in their awards in accordance with the liberality of their minds when appointed upon such arbitration boards.

"There seems to have been a public opinion that any man, even indirectly connected with labor, would be unqualified to act as a neutral arbitrator, with the result that most estimable gentlemen who had never had any connection with, and who had little knowledge of, labor conditions were called upon to act as umpires in these great contests. It was alleged by the employes that usually these arbitrators, having no technical knowledge of wage schedules, often made awards that were difficult of interpretation, if they did not, in fact, bring about conditions the very opposite to that intended by the neutral arbitrator. It also became apparent that in the application of the arbitration award, the officials of a railroad were the sole administrators thereof, with the result that after employes had been led to believe that an arbitration award brought them much relief, it was applied in a manner that 'took away from them more than had been given them.'

"Later, provisions were made for submitting controversies over the application of an arbitration award back to the arbitration board, or to some other umpire, but this resulted in the continuation of controversies over a period of two or three years.

"It may be truthfully said that at the time the railroads passed under Federal control, because of these vexatious contentions, the morale of railway employes had sunk to a low

degree. In many instances there was an entire absence of esprit de corps, so necessary for efficient operation.

"It was with the knowledge of this alarming situation, and with a determination to restore harmonious relations between employes and the railroads, and thereby increase the efficiency of the railroads, that the Division of Labor of the Railroad Administration was created."

Within the Division of Labor was established the Board of Railway Wages and Working Conditions consisting of three representatives of the employes and an equal number of representatives of the railroad corporations. The duties of this board were to hear and investigate matters presented by railway employes or their representatives affecting such matters as: 1. Inequalities as to wages and working conditions, whether as to individual employes or classes of employes. 2. Conditions arising from competition with employes in other industries. 3. Rules and working conditions for the several classes of employes, either for the country as a whole or for different parts of the country. The board was also to hear and investigate other matters affecting wages and working conditions referred to it by the Director General; it was solely advisory, however, and was to submit its recommendations to the Director General for his determination.

With the view of promptly and equitably adjusting "any controversies which may arise, thereby eliminating misunderstandings which tend to lessen the efficiency of the service" three boards were created. Railway Board of Adjustment No. 1 consisted of eight members, four selected by the regional directors of the eastern, southern, and western territorial grouping of the roads and four by the chief executive officers of the Brotherhood of Locomotive Engineers, Order of Railway Conductors, Brotherhood of Railroad Trainmen, and Brotherhood of Locomotive Firemen and Enginemen.

Similarly Board No. 2 was to adjust controversies between the railroads and such of their employes as were engaged as machinists, boiler makers, blacksmiths, iron workers, carmen, sheet metal workers, electricians, and helpers and who also were

members of the various unions with which the roads had entered into agreement as to basis of compensation and regulations of employment. This board consisted of twelve members, half of them selected by the six organizations of employes mentioned in the "memorandum of understanding" and the other six by the regional directors of the Railroad Administration. Board No. 3, consisting of eight members selected on the same principle as that of the other two boards, was to perform a like function with regard to telegraphers, switchmen, clerks, and maintenance of way employes.

These boards were to apply, each within its jurisdiction, the agreements as to basis of compensation and regulations of employment which had been entered into between the various organizations of employes and the railway companies. They had no jurisdiction over the recommendation, issuance, or interpretation of wage orders, but all controversies growing out of the application of the provisions of the agreements or wage schedules, and all other disputes which were not promptly adjusted by the officials and the employes on any of the roads operated by the Government, were referred to the board having jurisdiction. Separate meetings of each board were held regularly at stated times each month in the city of Washington. All decisions were made and approved by the entire membership of the board, the presiding officer being required to vote upon all decisions. Each board selected its own chairman.

The method of procedure for the settlement of controversies was identical before all three boards. Personal grievances or controversies arising under interpretation of wage agreements, and all other disputes arising between officials of a railroad and its employes covered by the "memorandum of understanding," were handled in the usual manner which had become customary under private operation, that is, by general committees of the employes up to and including the chief operating officer of the railroad (or some one officially designated by him). If an agreement was not reached, the chairman of the general committee of employes was to refer the matter to the

chief executive of the organization concerned; if the contention of the employes' committee was approved by such executive officer, then the chief operating officer of the railroad and the chief executive officer of the organization concerned referred the matter, with all supporting papers, to the Director of the Division of Labor of the Railroad Administration who, in turn, presented the case to the board of adjustment having jurisdiction. This board promptly heard and decided the case, giving due notice of the time set for hearing to the chief operating officer of the railroad and the chief executive officer of the organization. No question was considered by the board unless officially referred to it in this manner.

In hearings before the board of matters properly submitted for its consideration, the railroad was represented by such person or persons as the chief operating officer designated, and the employes by such representative as the chief executive officer of the organization concerned designated. In each controversy before the board there was usually presented a joint concrete statement of facts. The board had full authority, however, to require information in addition to the concrete statement of facts, and could call upon the chief operating officer of the railroad or the chief executive officer of the organization concerned for additional evidence, either oral or written.

Employes not members of the organizations having agreements with the railroads were not, because of this fact, denied the advantages of these boards of adjustment. For such employes special provision was made by the Division of Labor for settling their controversies. Jurisdiction in such cases over express company employes was also vested in the Division of Labor. Within the Division a Women's Service Section was created for the special consideration of the welfare of the one hundred thousand[1] females employed by the railroads.

[1] The number of women employes of the railroads in January, 1917, was 31,400; in January, 1918, 61,162; October, 1918, 101,785; and October, 1919, 81,803 — Report of Women's Service Section, Division of Labor, United States Railroad Administration, December 31, 1919.

The importance of all this does not lie in an account of the details of the operation of this machinery but rather in the fact that such machinery was established. To provide a court or tribunal to which industrial matters in dispute can be taken by the aggrieved employe in the knowledge and belief that fairness and impartiality will be practiced with the view to administering justice as between employer and employe is an act that, in itself, goes a long way in solving the so-called labor problem. As many as 2,658 separate and distinct cases of grievance or complaint were handled by the three boards of adjustment alone in the less than twelve month period from January 1 to December 15, 1919. This number does not include the cases of employes unrepresented on the boards, nor those submitted to the Board of Wages and Working Conditions. Such matters concerned rate of pay, claims for overtime, back pay, and for time lost; bonus, minimum wage, travel, time compensation, meals and lodging as extra pay, deductions from wages, vacations with pay, time and one-half pay for holidays, methods of computing back pay, equal pay to women, wage differentials, adjustment of wages, piece work, occupational classification, occupational qualification, time for meals, assignment of work, duties of helpers, discrimination, seniority rights, promotion, demotion, suspension, dismissal, reinstatement, refusal to punch time card, advance notice of resignation, and so on. These and a hundred and one other personal interest matters of no general concern but which are of vital importance to the particular individual go to make up the grievances and complaints which unattended to result in the present-day labor problem. They affect industrial rights that are comparable in a way to those controversies in civil life between individuals that have necessitated the establishing of courts of law for their just settlement.

This first experiment on a large scale of the operation of industrial courts or tribunals, under the direct supervision of the National Government, for the just settlement of disputes affecting individuals as distinct from classes or groups of em-

ployes, contains the germ of large promise for the successful working out of our coming industrial democracy. It is true the Government had previously been called upon at various times to intervene in labor controversies in the industrial state through the processes of mediation, conciliation, and arbitration, such as in the appointment of the Anthracite Strike Commission in 1902 by President Roosevelt; in the creation of the four arbitration boards at different times between 1912 and 1914 for the settlement of the concerted wage movements of the railway brotherhoods; through the Bureau of Mediation and Conciliation of the Department of Labor; and in the operation of the United States Board of Mediation and Conciliation, the latter created under the Newlands act in 1913 and confined to the railroads. But the operation of these commissions or boards involved the settlement of questions of broad principles as affecting groups or classes of workers and were not tribunals for the adjustment of what might be called personal cases involving the question of right and wrong to the individual.

This latter was the function performed by the railway adjustment boards. With the basis of wages and the principles of employment determined in the agreement, it was of equal importance to the successful carrying out of the terms of the agreement that some instrumentality be created that would assure to the worker a fair interpretation of what the basis and principles were intended to mean as well as an impartial application of that meaning to the varying facts of individual employment. This is vital to orderly industrial progress and to the elimination of causes for misunderstandings resulting in lockouts and strikes if we as a people are to approach to any degree of democracy in industry, for the simple reason that it is in the application of general principles to concrete cases that the worker knows he is or is not being treated fairly. And the assurance of fair and just treatment is of the essence of social contentment — it is the antidote to discontent, unrest, and revolution.

# CHAPTER X

## THE GOVERNMENT AND SHIPBUILDING LABOR

THE inestimable value to the American people in their prosecution of the war resulting from the recognition of the labor union by the Wilson Administration as one of the cardinal principles of the Government's labor policy is probably illustrated most strikingly in the shipbuilding industry. This policy immediately brought to the construction of yards and of ships the support of organized labor without which there could not have been even the slightest hope of meeting the unprecedented situation confronting this industry — a situation demanding the quickest possible expansion.

The shipbuilding program of the Emergency Fleet Corporation in July, 1917, which later was considerably enlarged, proposed the construction of 425 ships with an aggregate tonnage of 1,860,000 tons at a cost of $275,000,000, excluding one hundred wood ships the contracts for which were still being negotiated at the time. This program did not include contracts already let for the construction of new ships and yards at a cost of $550,000,000, nor the ships already under construction that were commandeered by the Government. The 425 ships comprised 348 wood and 77 steel.

In 1916, according to statistics of the Bureau of the Census, there were a total of only 44,962 employes in the sixty-three shipyards — 43,582 in the forty-five steel shipyards and 1,380 in the eighteen wood shipyards. In February, 1918, figures compiled by the Emergency Fleet Corporation show a total of 192,839 employes in 112 shipyards — 162,880 in fifty-three steel shipyards and 29,959 in fifty-nine wood shipyards. Here was a gain in the number of shipyard workers of nearly 150,000

in less than two years. In addition to these 112 yards there were twenty-four nearing completion. This gives an increase of seventy-five in the number of shipyards. These yards were scattered at all practicable locations along the American coast line of the Great Lakes, the Atlantic and Pacific Oceans, and the Gulf of Mexico.

This great expansion in the capacity of the old yards and in the number of new yards completed and under construction gave an unprecedented demand for workers in all the mechanical trades. The extent of this demand is only partly indicated in the statement that at the beginning of 1918 there was an immediate need for the enrollment of 250,000 skilled workmen as shipyard volunteers. Within sixty days from that date three of the government shipyards were to be completed and soon thereafter these would require more than 60,000 workmen to supply the three eight-hour shifts with which the yards were to be operated. At that time the Shipping Board controlled 716 shipways of which 302 were for wood and 414 for steel ships. The yards were working only one eight-hour shift a day and for only six days a week. Within a few months all the shipyards would have need for 386,000 mechanics.

Before this time arrived, however, the general labor policy of the Government had been formulated and was made to apply to all the shipyards of the country, privately owned as well as government owned. This policy was embodied in an agreement entered into in August, 1917, between officials of the Navy Department and the Emergency Fleet Corporation, representing the Government, representatives of shipyard employers, and representatives of the international unions whose members were engaged in the various crafts in the yards. These various organizations whose presidents signed the agreement are indicative of the many different kinds of workmen involved. They included the International Association of Machinists, the International Molders, the United Brotherhood of Carpenters and Joiners, and the score and more organizations representing the building trades, the metal trades, the plumbers

and steamfitters, the steam and operating engineers, the boilermakers and iron shipbuilders, the pattern makers, the blacksmiths and helpers, and so on.

The United States Shipping Board had been created by the Government as its instrument for operating all ships, excepting of course the war vessels of the Navy Department, and the Emergency Fleet Corporation had been organized by the Shipping Board for the construction of all ships other than those being built for the Navy. Thus in all shipyards, those privately owned as well as those constructed by the Government, the Fleet Corporation and the Navy Department exercised control over the construction of all vessels. This had virtually the same effect of making all shipyard workers employes of the Government as had the taking over of the railroads in its effect on railway employes.

The agreement referred to as having been entered into by representatives of the Government, of employers, and of employes established the Shipbuilding Labor Adjustment Board. Its jurisdiction extended over wages, hours of work, and other conditions of employment in shipyards, and its operation affected all workers engaged in the construction of the emergency fleets of the Government. It is indicative, as we have seen, were also the railway wage adjustment boards, of the instrumentalities of peace time which the Government accepted and adapted to war conditions. Through it the Government adopted the standards as to wages and working conditions and the methods of settling industrial disputes which the labor movement had built up through years of struggle and organized effort against the determined opposition of the employer class.

The particular machinery which this agreement created for the adjustment of disputes and which was to be applied to those arising out of the construction and repair of shipbuilding plants as well as of ships, took the form of a board composed of three members appointed by the United States Shipping Board Emergency Fleet Corporation, one representing the

corporation and selected by it, one representing the public and nominated by the President of the United States, and one representing labor named by Mr. Samuel Gompers.[1] In order to meet the situation resulting from the existence in the industry of two distinct craft groups, provision was made for the nomination by Mr. Gompers of two persons, one from the metal trades to sit on the board when the matter under consideration concerned the construction of shipyards or steel ships and the other from among the trades primarily concerned who was to sit when the matter under consideration had reference to wooden hulls. When the issues before the board concerned wages, hours, or conditions applying to the production of both kinds of ships, only one of the two nominees representing labor was to sit, this to be determined between them or, in the event of their disagreement, by Mr. Gompers. The agreement ran: —

"When matters concerning any plant or plants are before the board, it shall invite a person representing and designated by the owner or owners of such plant or plants, and also a person representing, or selected by, the majority of the workers in the particular craft or crafts directly interested in the disputed matters, both of said representatives to sit with voting power as associate members of said board in connection with such matters. If a question coming under the jurisdiction of the board arises with reference to such construction in a private plant, in which construction is also being carried on for the Navy Department, the Secretary of the Navy or such person as he may designate shall sit with voting power as a member of the board. In the event of a tie vote, when the board is so constituted, the decision shall be referred to the chairman of the Council of National Defense, or to such person as he may designate. This memorandum shall in no way serve as a precedent for procedure in Government plants under the War or Navy Departments.

"The plants where such construction is being carried on shall be geographically districted by the board. In each district, the contractors in whose plants such construction is being carried

[1] President of the American Federation of Labor with which the separate unions were affiliated.

on, and the representatives of such international labor organizations as have members engaged in such production or construction in such plants, and as are selected for the purpose by the labor member of the board, shall be called upon, under conditions to be laid down by it, to agree upon a person or persons who shall act under the direction of the board as examiner or examiners in such district. If the board does not succeed in having an examiner so selected, then the board shall by unanimous action select a person or persons for such position. The examiner shall be subject to removal by the board at any time by unanimous vote."

Provision was made in the agreement for the prompt reporting to the board of any dispute with reference to wages, hours, or conditions of labor which could not be adjusted satisfactorily to the principals concerned. But before such report was made the district officer of the Emergency Fleet Corporation was to confer with the local representatives of the crafts involved, " or with such authorized heads of any local labor organizations interested therein as may be designated by the labor member of the board, or on their request with the national head or heads of such organization or organizations or his or their duly authorized representative or representatives." If by this method the dispute could not be adjusted then the board was to send an examiner to such plant to bring about a mutually satisfactory adjustment. If this also failed the examiner, in his report to the board, was to recommend terms of adjustment, and the board was then to decide the questions at issue.

The scales of wages, hours, and other conditions of employment in effect July 15, 1917, in each shipyard where ship or plant construction was being carried on, were taken by the board as the basic standards. After these were established then consideration was to be given by the board to any circumstances which seemed to it to call for changes in wages, hours, or conditions. The board was to keep itself fully informed as to the relation between living costs in the several districts and their comparison between progressive periods of

time. Retroactive decisions of the board were to be made under proper conditions, in which cases accounting was to be made in accordance with the directions of the board. While all its decisions were to be final and binding on all parties, in so far as the agreement was capable of achieving such result, it was provided that "at any time after six months have elapsed following any such ratified agreement or any such final decision by the board of any question as to wages, hours, or conditions in any plant, such question may be reopened for adjustment upon the request of the majority of the craft or crafts at such plant affected by such agreement or decision."

It cannot be expected that within the limits of a single chapter an adequate account can be given of the work of the Shipbuilding Labor Adjustment Board. Such an account will not be attempted here. It is desired merely to point out some of the broad economic principles upon which the operation of the board was based and to indicate the nature of the industrial problems confronting employers and employes and which are the causes of labor disputes.

In one of its earliest decisions the board stated that it had been convinced by the unanimous testimony of both employers and employes that a uniform minimum wage scale and uniform piece rates for all the shipyards on the Delaware River, from Bristol on the north to Wilmington on the south, would be desirable. The most serious obstacle to the maintenance of a uniform minimum wage scale in all the yards of the Delaware River district was found by the board to be the variable expense for transportation to and from work of the employes of the yards up and down the river from Philadelphia owing largely to inadequate local housing facilities. To equalize this condition the board authorized shipyards, whose employes were compelled to spend regularly more than eight cents a day each way for transportation to and from work, to provide these employes with tickets at the expense of the shipbuilding company. The object of this was partly to enable yards in the

vicinity of which there were inadequate housing facilities to draw workmen from greater distances.

In operation in the different yards were numerous bonus, premium, and contract systems of wage payment in addition to the day and the piece wage systems. With the object of introducing a greater degree of uniformity the board prescribed the minimum wage and the piece rate scales and directed that no bonus or premium in addition was to be paid in specified occupations except with its express permission. In some departments, such as riveting and chipping and calking, a preference existed, not only among employers but also among the workers themselves, for the piece wage system. The rates made effective by the board were the result of conferences between representatives of the yard owners and of the crafts concerned in which both sides made concessions. In consequence the first application of these rates was of limited scope but the intention was to extend the list from time to time so as to include operations and types of vessels, such as torpedo-boat destroyers and cylindrical oil tankers, for which fair rates could not then be ascertained.

Previous attempts on the part of shipyard owners to establish piece rates had not been successful, it having been the experience of the workers that the piece rate was invariably lowered as soon as they indicated their ability to increase their earnings beyond that which the employer considered a normal wage. As a result there had grown up in many of the yards rules or understandings among the workers which limited the amount any one worker was to produce in a day. To combat this possibility developing out of the new piece rates the board established, appeal was made to the patriotism of the workers.

"In the present national emergency," the board said, "it is vitally important that every limitation upon output be removed. Every shipyard worker must appreciate that he is fighting for his country when he drives a rivet or calks a seam just as effectively as the soldier in the trenches when he wields his bayonet or fires a gun. And as the soldier is paid directly by

the Government so the shipyard worker must realize that he now receives his compensation from the Government, all shipbuilding now being upon Government account." To bring home to piece workers that the Government was behind them and that they must stand behind the Government, the board directed that notices be posted conspicuously in every department of every shipyard where piece work was carried on stating in effect that the piece rates prescribed as part of its award were under no circumstances to be lowered during the duration of the war. "In the name of the people of the United States," the notice read, "we urge employes in shipyards to do their utmost toward winning the war by removing all limitations upon output and hastening in every possible way, each according to his capacity, the production of ships."

As to hours of employment the board found that "a good deal of diversity and confusion in the different yards exists," owing to the fact that the eight-hour day had not been universally introduced, while the half holiday on Saturday had been firmly established by the workers and was tenaciously adhered to by them. Under the federal eight-hour law work in excess of eight hours in any calendar day for any department of the Government counted as overtime and was to be compensated for at the time-and-one-half or double time rate. In view of the effects of these limitations imposed by federal law and local custom the board deemed it necessary to prescribe the following rules to govern hours of employment in the shipyards:

Eight hours shall constitute a day's work from Monday until Friday, inclusive, and four hours on Saturday.

Work in excess of these periods on any week day shall be calculated as overtime and paid for at the rate of time and one-half.

Work in excess of sixty hours a week for any employe shall not be permitted, excepting in dry docks, or when ordered by the Navy Department or the Emergency Fleet Corporation, or to protect life or property from imminent danger.

Work on Sundays and the following holidays shall be paid

for at the rate of double time: New Year's Day, Washington's Birthday, Decoration Day, Fourth of July, Labor Day, Thanksgiving Day, and Christmas Day.

Men employed on night shift shall receive compensation five per cent. higher than is paid to those employed on day shift.

"Our purpose in limiting the work of employes under ordinary circumstances to sixty hours a week," says the report of the board, "is to discourage the practice of excessive overtime, which we believe leads to inefficiency and lessened rather than enlarged production, and to encourage the introduction of the two and three shift systems. The feasibility of working two or three eight-hour shifts in shipbuilding plants has been conclusively demonstrated, and we urge the shipyards of the Delaware River district to take immediate steps looking toward the introduction of additional shifts in their yards."

Uniformity in wages, hours, and other conditions in the shipyards of the north Atlantic coast and Hudson River district were also prescribed by the board,[1] partly with the object of preventing the shifting of men from yard to yard so as to secure greater concentration on shipbuilding in all yards. At the same time it handed down a modified decision establishing the same wage rates for skilled mechanics in the south Atlantic and Gulf shipyards.

With regard to working conditions in shipyards on the Great Lakes, the board found there also a shifting of employes from yard to yard which most seriously retarded the progress of ship construction. It applied the same remedy it had found efficacious in other competitive districts — uniformity of conditions of employment over the entire area. With easily accessible means of transportation from point to point on the Lakes and from the Lakes to the seaboard, the Great Lakes' region virtually constituted a part of the same competitive area as the

[1] Decision of April, 1918. The wage rates fixed were made retroactive for the region about New York harbor, including Bridgeport, Conn., to March 11; for the steel yards north of Bridgeport, to March 20; and for the other yards, to April 1.

north Atlantic coast yards. Movements of employes from the shipyards of the Lake region to those of the Atlantic coast in response to higher wages proved this. It was also demonstrated in the substantial uniformity in the wage rates in the yards of Buffalo, Cleveland, Detroit, and Chicago with those of Philadelphia and Baltimore. This led the board to establish wage scales, hours of work, and other conditions for the shipyards of the Great Lakes similar to those for the yards on the north Atlantic coast. This advanced substantially the wages paid to nearly all crafts in the Great Lakes' yards.[1]

Shipyard owners were directed by the board to cooperate with employes in making effective the following rules in reference to machinery for the settlement of industrial disputes:

The employes of each craft or calling in a shop or yard shall have the right to select three of their number to represent them as members of a shop committee. Each member of this committee shall be chosen by majority vote through secret ballot in such manner as the employes may direct. The chairman of such shop committee shall be a member of a joint shop committee.

When a grievance arises it shall be taken up by the craft or laborers' committee with the foreman or general foreman. In the event the grievance has not been adjusted, it shall then be taken up by the joint shop committee, first with the superintendent, and then, failing a settlement, with the higher officials of the company. If the matter cannot be adjusted between the joint shop committee and these officials, the joint shop committee shall have the right to call into conference a representative chosen by the committee. In case such conference fails to result in a satisfactory adjustment, the grievance shall be submitted to the examiner to be appointed by the Shipbuilding Labor Adjustment Board.

Any committeeman who shall be found to have been discharged without just or sufficient cause, after due investigation shall be reinstated with full pay for all time lost.

[1] To make certain that the wages of no individual employe were reduced in consequence of its award, the board inserted a provision to this effect.

Other regulations of employment prescribed by the board for the guidance of both employers and employes were as follows:

Believing that in this national emergency past differences between employers and employes must be forgotten in the common determination to produce the maximum possible number of ships, the board will not tolerate any discrimination either on the part of employers or employes between union and non-union men.

Employes shall be paid at least once a week on the company's time and in no case shall more than five days' pay be held back.

Any employe laid off or discharged shall within twenty-four hours receive all wages due him.

No employe shall be required by the employing shipyard to pay any assessment for insurance, medical attendance, or other benefits.

Competent medical first aid shall be provided for employes requiring such aid and paid for by the employer.

Shipyard owners are directed to provide for their employes adequate and sanitary toilets, washing facilities, and pure drinking water, properly cooled during the summer months.

The quick and uninterrupted loading and unloading of vessels being among the prime essentials of war service overseas, it was also necessary for the Government to provide machinery for minimizing the possibility of labor disturbances between the longshoremen and their employers interfering with this service, coastwise as well as deep sea. Such machinery was established in August, 1917, by the creation of the National Adjustment Commission for the control of wages, hours of work, and conditions of employment at the various ports. This commission was composed of representatives of the United States Shipping Board, the War Department, the vessel operators, the International Longshoremen's Association, and the Committee on Shipping of the Council of National Defense. In each port it established a local adjustment commission consisting of representatives of the Shipping Board and the War Department, the Longshoremen's Association, and the operating companies. Disputes not settled locally were referred to the National Commission. The decision of the latter

was binding on all parties. In all cases work was to continue without interruption until an adjustment had been reached. The union rate of wages, hours of work, and other conditions of employment then in effect were adopted as the standards.

An agreement was also entered into between representatives of the Government, of ship owners and operators, and of employes covering wages and working conditions of men employed in manning in ports and on the high seas the emergency fleets under control of the Government. Provision was made for a standard monthly wage for all employes in the deck and engine departments, for overtime, for meal money on shore, for reimbursement in the loss of personal effects of seamen by the sinking of a vessel, for a bonus to crews entering the war zone, for the training of new men to meet the need of the increasing number of ships, and for representatives of the seamen's union to gain access to docks and the decks of ships.

Such are some of the concrete, practical every-day questions that go to make up the labor problem in the building and operation of ships and which must be determined by some fair and impartial tribunal, guided solely by a sense of justice and the right concepts of the true meaning of industrial democracy, if society is to be saved from the injury that accompanies and flows out of strikes and lockouts. The record of the task accomplished in this direction during the war by the various labor adjustment boards which the Government established in the shipping industry should be of invaluable assistance to both employers and employes in pointing the way out of their difficulties and towards a more human relation in the conduct of industrial production.

# CHAPTER XI

## THE GOVERNMENT AND COAL MINE WORKERS

NEITHER the Government controlled ships nor the Government controlled trains essential to the transportation of troops and munitions could have been built and operated without skilled workers. Nor could they have been operated without coal, and this coal could not have been secured without skilled workers in the mines. Coal mining, many contend, is our basal industry; that upon coal all the other industries depend for their operation; that without this fuel the war could never have been won. However this may be, we are not here concerned with probabilities but with the actual conditions in the coal mining industry which confronted the United States Government and with the labor policy it applied to these conditions to secure uninterrupted production of this very essential fuel.

When it is realized that as many as 757,000 men were employed in and about the mines the year the United States entered the war and that they produced more than 651,000,000 net tons having a value of $1,533,000,000, we are able to secure some idea of the magnitude and importance of this great industry. This number of men exceeds by 257,000 the total number making up the first increment of men taken by the first draft to comprise the new National Army under the Selective Service Act. Their wide distribution in the more important of the twenty-three States of the coal-producing area was as follows:

| *Coal-Producing State* | *Number of Employes* |
|---|---|
| Pennsylvania | 328,000 [1] |
| West Virginia | 88,000 |
| Illinois | 84,000 |
| Ohio | 45,500 |
| Kentucky | 35,000 |
| Alabama | 28,000 |
| Indiana | 26,500 |
| Iowa | 14,000 |
| Colorado | 14,000 |
| Virginia | 11,000 |
| Kansas | 10,500 |
| Tennessee | 10,500 |

The remaining eleven coal-producing States in the order of their importance as to the number of mine workers employed are Missouri, Oklahoma, Wyoming, Maryland, Washington, Texas, Montana, New Mexico, Arkansas, Utah, and Michigan.

By far the larger number of these mine workers are organized in the United Mine Workers of America, one of the strongest and most powerful labor unions in the world. Its particular strength as an organization is in the Central Competitive Territory, comprising western Pennsylvania, Ohio, Indiana, and Illinois; and since 1902 in the anthracite fields of northeastern Pennsylvania. For a period of more than a quarter of a century the members of this organization had been working under joint bargaining agreements with the coal operators in these and other States and this movement had slowly developed into that which is today one of the strongest pieces of collective bargaining machinery in the entire country. This does not mean, of course, that wages, hours of work, and conditions of employment in the coal industry were ideal, or even satisfactory, but it does mean that for the employe these had been greatly improved throughout the period and also that they were much more to his advantage than they probably

[1] 154,000 in the anthracite and 174,000 in the bituminous coal mines.

would have been in the absence of such machinery. In the anthracite region of Pennsylvania there had also been in operation, since the great strikes of 1900 and 1902, similar industrial machinery for settling questions of employment between employes and employers. Thus in this industry there was already "recognition of the union" by employers and accompanying industrial institutions for the control and settlement of controversies. This is not true, however, of all the coal-producing States for in some, such as West Virginia for illustration, the operators still opposed the union and conducted out-and-out non-union mines.

But at the time the United States Government through the necessities of war times assumed control of the coal mining industry, as it had of the railway and shipping industries, it found available for its use in the greater part of the industry this well organized collective bargaining machinery. It was taken over and used virtually as it then existed. For the purpose of exercising the necessary centralized control over the industry the United States Fuel Administration was created, and within this organization there was established a Bureau of Labor to which all matters relating to labor conditions and controversies in the coal mines were referred for settlement. Mr. John P. White, formerly President of the United Mine Workers of America, and Mr. Rembrandt Peale, a coal operator from the central Pennsylvania fields, were appointed joint heads of this bureau, with power to consider and dispose of all matters affecting labor in the industry coming within the jurisdiction of the Fuel Administration and subject to the procedure prescribed in the already existing joint agreements entered into by the operators and miners prior to the war.

The general labor policy of the Wilson Administration already described[1] was made effective in the coal mining as in the railroad and shipbuilding industries. In conformity therewith these rules were enunciated by the Fuel Administration for the guidance of employers and employes:

[1] Chapter VIII, pages 80–88.

No strike was to take place pending the settlement of any controversy until the dispute had been reviewed and decided by the Fuel Administration.

Where there was a joint agreement or contract between employer and employes, the machinery provided therein for the settlement of controversies was to be invoked and the remedy exhausted without reaching an adjustment before the Fuel Administrator was to intervene or mediate.

The Fuel Administration recognized the authority of the United Mine Workers of America in the organized coal fields and its jurisdiction over controversies arising in those fields.

Recognition of the union was not to be exacted during the continuance of the war except where already recognized by collective bargaining.

In coal mines where the union was dominant, that is, in mines where preference in employment was given to union members, this practice was to continue; where it was the practice for both union and non-union men to work together, its continuance was not to be deemed a grievance by union employes.

Employers were required to relinquish the right to discharge employes because of affiliation with labor unions.

Employers were required to recognize the right of their employes to organize into unions by peaceful methods that did not interrupt production.

An automatic penalty clause was attached to all agreements affecting the bituminous coal mines[1] and was made a condition precedent to the allowance by the Fuel Administration of increased prices to the operators.[2] This clause was directed towards the prevention of a stoppage in production by reason of labor disputes so as to secure the maximum output.

Economic conditions surrounding the soft coal industry in ordinary times had been such that the average number of days worked in the year were hardly ever more than 230, and quite often even less, so that the average hours of labor each day had fallen considerably below the eight hours stipulated in the wage agreement. This was a serious handicap to continuous maximum production. To add to this already aggravated situation effecting a limitation of production, coal miners as a class were

[1] This did not apply to the anthracite fields of Pennsylvania.

[2] To cover wage increases.

not exempted under the provisions of the draft act and in consequence considerable inroads had been made upon the supply of mine labor by the first draft. Then, too, the war had not only stopped completely all immigration from Europe into the coal fields, which was the principal source of unskilled labor supply for the mines, but its effect was also to call to Europe many of the nationalities that made up the skilled coal-mining population. In view of these conditions and of the enormously increased demand for coal, it was vitally necessary that something be done to make it possible for miners to work in the mines the full eight hours a day during at least five days each week, Saturday being a half holiday. If this were possible enough coal could be produced to eliminate all fear of a fuel shortage.

This was the result aimed at by means of fines automatically imposed under the penalty clause. They were quite distinct from the penalizing fines levied by employers for their own benefit, and they operated to protect the great majority of the mine workers against the radical and indifferent element among the employes engaged in coal mining.

The payment to the worker of a bonus in any form by the operator was stated by the Fuel Administration to be contrary to the spirit of the wage agreements, and it was with the view of prohibiting the bonus practice that the Administration announced that "if any operator hereafter undertakes to pay a bonus in any form in violation of the terms or spirit of the agreements" the Administration would assume that the mine price of coal allowed the offending operator was too high and accordingly its reduction would be ordered. A conference of coal operators themselves went even further and requested the Administration "to close down any mine that persists in the payment of bonuses or other violations of the Washington wage agreements and the rules and regulations of the Fuel Administration." The conference emphasized the fact that the payment of bonuses, premiums, prizes, and so on, had a disorganizing effect in causing competition for labor, with the re-

sult that some mines got more than their needed supply of workers while other mines were rendered idle or nearly so on that account. The practice also caused dissatisfaction among the miners as a whole, besides resulting in limitation to production through the time lost by men shifting from one mine to another in competition for the highest wages.

An increase in wages to bituminous coal mine workers was granted in an agreement entered into October 6, 1917, between operators and mine employes of the Central Competitive Territory in conference with the Fuel Administration. These included an advance of ten cents a ton to miners; advances ranging from seventy-five cents to one dollar and forty cents a day to laborers; and an advance of 15 per cent. to workers employed on yardage and dead work. These were equivalent to an increase to miners of 50 per cent. and to the best paid laborers of 78 per cent. over the wages of April 1, 1914.

The anthracite operators and mine workers on May 5, 1916, had entered into their usual agreement covering wages and working conditions in the hard coal fields of Pennsylvania, and this was to extend over the four-year period from April 1, 1916, to March 31, 1920. The abnormal conditions resulting from the war, however, and in particular the rapid rise in the cost of living to the workers, made necessary a revision of the terms of this agreement to the extent of increasing the wage compensation. Accordingly a supplementary agreement was entered into on April 25, 1917, providing for wage increases. Subsequently, in November of the same year, a further revision was made with the consent of the Fuel Administration granting an additional increase in wages.

These increases in wages and other improved conditions of employment in coal mining, as in the shipbuilding and railway industries, were brought about through organized machinery operating under the direct supervision of the United States Government and in conformity with the principles of the labor policy adopted at the beginning of the war by the Wilson Ad-

ministration. This machinery, as has been said, was largely an adaptation to the necessities of war time of the results of institutional development which the progress of the labor movement in peace times had brought about. Its operation by the Government was unquestionably the success it proved to be, insofar as the securing of continuous production by minimizing the number of strikes and lockouts is considered, largely because the appeal to the patriotic motives of both employers and employes was strong enough to override for the time being their conflicting economic self-interests as competitors in the distribution of the proceeds of cooperative industry. This success was also due, in no small degree, to the fact that in the operation of this machinery the Government shifted the greater part of the economic burden of the war from wages and profits to prices — from the shoulders of the wage worker and the capitalist-producer to those of the consumer. It did this by granting to the manufacturers and other producers increases in the price of their product at least equal to the increases in wages to the workers to meet the increase in their cost of living.

In making this statement the writer is conscious of the existence of plausible arguments which would seem to refute this conclusion. Assuming the absence of Government direction of this machinery, it is quite possible and even probable that prices of commodities under uncontrolled competition in a sellers' market would have been even higher to the consumer than they actually were. But the conclusion is based on the fact that, assuming Government direction, it was possible to have brought about a situation in which the wages of the worker and especially the profits of the manufacturer would have borne a larger share and therefore prices to the consumer a more equitable share of the cost of the war. It is a question not of the results under two different sets of circumstances but of the effects of a choice of policy under the same circumstances. The phase of the situation as it affected prices to

the consumer is discussed in succeeding chapters. Here we are concerned with only two of the three elements to successful production — with only the capitalist-producer and the wage worker in relation to each other and to the Government.

## CHAPTER XII

### THE GOVERNMENT AND INDUSTRIAL RELATIONS

IN all those industries engaged in the production of war essentials, direct control of which was not taken over by the Government — and there were hundreds and thousands of mills, plants, and factories making up these industries — in all these the labor policy of the Wilson Administration was made operative through special provisions in the usual form of contract which was entered into by the Government departments with the manufacturer.

In these contracts the producer agreed that: (1) there would be no interruption to continuous and maximum production on his part because of any labor controversy with his employes; (2) all such controversies were to be referred for settlement if necessary to designated Government departments providing machinery for mediation, conciliation, and arbitration; and (3) he would accept and abide by the decision rendered by this governmental agency. The contract required of the manufacturer that he was to have it understood by every worker accepting employment in his plant that he did so with the definite agreement to accept and abide by the decisions of the Government tribunal in the settlement of any question affecting labor submitted to it for adjudication.

In this very simple way thousands of industries employing millions of men, women, and children in the production of war essentials were brought under the terms and conditions of employment, especially as to wages and hours of work, as laid down by the United States Government. Over these conditions the Government exercised supervision through its various departments and bureaus and commissions. For this

purpose and to develop and maintain satisfactory relations between employers and employes while both were engaged upon government war work, there were organized within the departments numerous industrial service and industrial relations sections, boards of control, committees, commissions, and so on. So numerous were these that it is not possible to refer to all of them. But the general character of their work can be indicated by calling brief attention to the operation of a selected few.

For the adjustment and control of wages, hours of work, and other conditions of employment for workers of contractors engaged in the construction of cantonments and army camps there was established in the construction division of the War Department the Cantonment Adjustment Commission, afterwards the Emergency Construction Adjustment Commission. It was composed of three members appointed by the Secretary of War, one to represent the Army, one the public, and one the workers, the latter representative being nominated by the president of the American Federation of Labor.

The principles governing the labor policy of this commission were embodied in what became known as the Baker-Gompers agreement. This agreement provided as basic standards in each cantonment the union scale of wages, hours of work, and other conditions of employment in effect on June 1, 1917, in the particular locality where the cantonment was situated. Consideration was to be given to special circumstances arising that should require advances in wages or changes in other terms of employment.

An official interpretation of this understanding[1] made it clear that the War Department did not agree nor did it commit itself to the so-called "closed shop," and that the conditions in effect on June 1, 1917, which were adopted as the basis of the agreement, did not include any provisions as to the employment of non-union labor. These "conditions" were interpreted as

[1] Correspondence between Mr. Samuel Gompers and Louis B. Wehle, Esq., under date of June 20 and 22, 1917.

applying only to union arrangements as to overtime and work on holidays and like matters. It was not believed to be legally feasible to adopt any understanding in such an agreement giving preference to the employment of union labor. Later the provisions of this Baker-Gompers agreement were applied to all land construction work of the War Department, the commission's jurisdiction being extended to the construction of aviation fields and warehouses and storage facilities.

The agreement provided for sessions of the commission in Washington "unless specially ordered by the Secretary of War to go to the site of a construction." The commission was to obtain complete information of union scales of wages, hours of work, and other conditions of employment in effect on June 1, 1917, in the several localities where cantonments were being constructed from data supplied, as far as practicable, by the federal Department of Labor.

As the cantonment sites were distributed throughout all sections of the country, the Secretary of War was to appoint, for the period of construction and with the unanimous approval of the commission, a responsible impartial examiner for each district who was to act under orders of the commission.

In case a dispute arose which it developed could not be adjusted satisfactorily by the contracting officer at the site and the employes involved, the officer was to issue a provisional order which was subject to being affirmed, reversed, or modified by the commission. The actual work of construction was not to be interrupted. In case this provisional order was not accepted by the employes the contracting officer was to notify the member of the commission representing the Army of the matter in dispute, the proposals made by each party for adjustment, and of the provisional order which he had issued. At the same time the member of the commission designated by Mr. Gompers was also to obtain from a reliable source a report on the matter in dispute. In case the controversy was not adjusted satisfactorily at the site, the commission was to send at once an examiner, with authority and acting under the

orders of the commission, to mediate between the parties. Failing in this the examiner was to report promptly and fully to the commission with a recommendation. If ordered by the commission or any of its members the examiner was to remain at the site to supply any further information that might be requested. The examiner was to supervise the application of the commission's rulings. A copy of the rulings was to be sent to the contracting officer and to the representatives of the parties involved in the controversy.

The Government's policy as to hours of work by employes of all Government contractors was embodied in the contract. The progress of industrial development, the activities of organized labor in the direction of shorter hours of work, and the influence of statutory enactments had all been tending towards decreasing the work day from twelve, ten, and nine hours to eight hours as the standard. The National Government had established this standard for its own employes by the Act of Congress of June 19, 1912, known as the Eight Hour Law. Thus slowly and steadily by voluntary action of employers, by the demands of the labor union, and by the force and example of law a shorter work day was being made effective in all the principal industries. To the organized worker such a standard work day of reasonably limited length was as much a matter of justice as was the rate of his pay, and the securing of it was the cause of almost as many strikes as was his demand for higher wages. But he consistently objected to it if its establishment meant a minimizing of his wage returns.

War necessity, however, demanded not a decrease but rather an increase in the hours of work each day. In fact, so great was the need of increased production along so many lines that President Wilson deemed it advisable to authorize in Executive Orders the suspension of the provisions of the Eight Hour Law. This possibility had been anticipated in the Naval Appropriation Act of Congress approved March 4, 1917, in which it was provided " That in case of national emergency the President is authorized to suspend provisions of law prohibiting

more than eight hours of labor in any one day of persons engaged upon work covered by contracts with the United States: Provided further, That the wages of persons employed upon such contracts shall be computed on a basic day rate of eight hours work, with overtime rates to be paid for at not less than time and one-half for all hours worked in excess of eight hours."

The application of this provision resulted in the continuance of the ten hour day in many industries already operating on that basis and in the extension from eight to ten hours of the working time of many Government plants, such as arsenals, as well as of factories having the eight hour day and under contract with the Government. But in going to the ten hour day basis overtime rates were paid for all time worked each day beyond eight hours. This meant, for illustration, that a mechanic being paid a rate of eighty cents an hour and who consequently earned $6.40 a day, received on the time and one-half basis for overtime $1.20 cents additional for every hour worked beyond eight hours. If he worked nine hours he earned the basic $6.40 plus the $1.20, or $7.60, and if he worked ten hours he received the basic $6.40 plus $2.40, or $8.80. If the mechanic happened to be a member of one of the crafts that had succeeded in establishing the double time basis of pay for overtime beyond eight hours, he received twice the basic hourly rate of eighty cents, or $1.60, for every hour worked beyond the eight hours. This time and one-half and double time rate for all overtime, which organized labor had succeeded in establishing in many industries prior to the war, was intended primarily as a penalty against excessive overtime but under war emergency conditions it became all too frequently the means of increasing the day wage rate.

In carrying out in other directions the labor policy of the Wilson Administration various departments of the Government, having contracts with large numbers of manufacturers, issued general regulations embodying detailed rules governing employment which the manufacturer and employes were to ob-

serve. These working conditions as formulated by the Ordnance [1] and the Quartermaster's Departments of the Army give a comprehensive view of the principles of industrial relations which it was believed should prevail in industries turning out contract orders for the Government. They were adopted as the standards by other branches of the Government and made quite generally effective.

The following suggestions are commended to the careful consideration of arsenal commanders and manufacturers executing orders for this department:

In view of the urgent necessity for a prompt increase in the volume of production of practically every article required for the conduct of the war, vigilance is demanded of all those in any way associated with industry, lest the safeguards with which the people of this country have sought to protect labor should be unwisely and unnecessarily broken down.

It is a fair assumption that for the most part these safeguards are the mechanisms of efficiency. Industrial history proves that reasonable hours, fair working conditions, and a proper wage scale are essential to high production. During the war every attempt should be made to conserve in every possible way all of our achievements in the way of social betterment.

In the preparation of the following memorandum no effort has been made to establish or even to suggest definite rules of conduct. The memorandum presents what may be considered a fair if tentative basis.

The department wishes to be assured that schedules of hours obviously excessive or wage scales distinctly unfair or working conditions such as should not be tolerated will certainly be brought to its attention.

## I. Hours of Labor

1. Daily Hours—The day's work should not exceed the customary hours in the particular establishment or the standard already attained in the industry and in the community. It should certainly not be longer than ten hours for an adult workman. The drift in the industrial world is toward an eight hour day as an efficiency measure. It has also been shown that

[1] General Orders No. 13, Chief of Ordnance, November 15, 1917.

hours of labor must be adapted to the age and sex of the worker, and the nature of the occupation.

2. Overtime—The theory under which we pay "time and a half" for overtime is a tacit recognition that it is usually unnecessary and always undesirable to have overtime. The excess payment is a penalty and intended to act as a deterrent. There is no industrial abuse which needs closer watching in times of war.

3. Shifts in Continuous Industries—Eight hours per shift should be a maximum in continuous twenty-four hour work.

4. Half Holiday on Saturday—The half holiday on Saturday is already a common custom in summer, and it is advantageous throughout the year, especially if the work day be ten hours long the other days of the week. The working period on Saturday should not exceed five hours. An occasional shift of two or three hours on Saturday afternoon is unobjectionable if essential, but the additional hours should be regarded as overtime and paid for on that basis.

5. Hours Posted—It is desirable that the hours of labor for every tour be posted.

6. Holidays—The observance of national and local holidays will give opportunity for rest and relaxation which tend to make production more satisfactory.

7. One Day of Rest in Seven—One day of rest in seven should be a universal and invariable rule.

## II. Standards in Workrooms

1. Protection Against Hazards and Provisions for Comfort and Sanitation—Existing legal standards to prevent danger from fire, accident, occupational diseases, or other hazards, and to provide good light, adequate ventilation, sufficient heat, and proper sanitation should be observed as minimum requirements.

2. Location of Toilets—All toilets should be sanitary and readily accessible.

3. Extreme Temperatures—Those processes in which workers are exposed to excessive heat, that is, over eighty degrees; or excessive cold, that is, under fifty degrees, should be carefully supervised so as to render the temperature conditions as nearly normal as possible. When extreme temperatures are essential workers should not only be properly clothed but avoid sudden changes.

4. Lights—If any light is at the level of the worker's eyes it should be so shaded that its rays will not directly strike the eyes.

### III. Wages

1. Wage Standards—Standards already established in the industry and in the locality should not be lowered. The minimum wage rates should be made in proper relation to the cost of living, and in fixing them it should be taken into consideration that the prices of necessities of life have shown great increases.

### IV. Negotiations Between Employers and Employes

The need of preserving and creating methods of joint negotiations between employers and groups of employes is especially great in the light of the critical points of controversy which may arise in a time like the present. Existing channels should be preserved and new ones opened, if required, to provide for easier discussion between an employer and his employes over controversial points.

### V. Standards for Employment of Women

1. Hours of Labor—Existing legal standards should be rigidly maintained, and even where the law permits a nine or ten hour day, effort should be made to restrict the work of women to eight hours.

2. Prohibition of Night Work—The employment of women on night shifts should be prevented as a necessary protection, morally and physically.

3. Rest Periods—No woman should be employed for a longer period than four and one-half hours without a break for a meal, and a recess of ten minutes should be allowed in the middle of each working period.

4. Time for Meals—At least thirty minutes should be allowed for a meal, and this time should be lengthened to forty-five minutes or an hour if the working day exceeds eight hours.

5. Place for Meals—Meals should not be eaten in the workroom.

6. Saturday Half Holiday—The Saturday half holiday should be considered an absolute essential for women under all conditions.

7. Seats—For women who sit at their work, seats with backs should be provided, unless the occupation renders this impossible. For women who stand at their work, seats should be available and their use permitted at regular intervals.

8. Lifting Weights—No woman should be required to lift

repeatedly more than twenty-five pounds in any single load.

9. Replacement of Men by Women—When it is necessary to employ women in work hitherto done by men, care should be taken to make sure that the task is adapted to the strength of women. The standard of wages hitherto prevailing for men in the process should not be lowered where women render equivalent service. The hours for women engaged in such processes, of course, should not be longer than those formerly worked by men.

10. Tenement House Work—No work shall be given out to be done in rooms used for living purposes or in rooms directly connected with living rooms in any dwelling or tenement.

### VI. Standards for Employment of Minors

1. Age—No child under fourteen years of age shall be employed at any work under any conditions.

2. Hours of Labor—No child between the ages of fourteen and sixteen years shall be employed more than eight hours a day or forty-eight hours a week, and night work is prohibited.

3. Federal Child Labor Laws—These and other provisions of the Federal child labor law must be strictly observed.

4. Minors Under Eighteen—Minors of both sexes under eighteen years of age should have the same restrictions upon their hours as already outlined for women employes.

Within the Ordnance Department of the Army an Industrial Service Section exercised control over all matters pertaining to labor engaged in the production of ordnance supplies, equipment, and material, including the work at the Government arsenals. Its jurisdiction covered specifically all subjects concerning hours of labor, rates of pay, housing, transportation, dilution of labor, women in industry, community conditions affecting labor, stealing of labor by one employer from another, prevention of wage or other labor disputes, supply and distribution of labor essential to ordnance production, relations on all these matters with the industrial service sections of other procurement bureaus and with the office of the Secretary of War, the Department of Labor, the Public Health Service on matters affecting health, safety, and sanitation, and with all other agencies dealing with labor.

There was a like service section in the Signal Corps bureau of the War Department, and similarly an industrial relations section in the Bureau of Aircraft Production in charge of all such matters affecting the production of aircraft. A like section in the Quartermaster's Department of the Army had jurisdiction over related matters in all plants carrying contracts of that department, with the exception of those of the needle trades, and these contracts were very numerous.

For the so-called needle trades engaged principally in the making of clothing for the troops, a special Board of Control was organized as these industries presented problems frequently quite different from those of ordinary production. The head of this board had the title "Administrator of Labor Standards," and his work was confined to the trades engaged in the production of army clothes. Its duties stressed safety, sanitation, and healthful conditions in clothing factories more than they did the settlement of labor disputes, although these latter were within its jurisdiction, an investigation in 1917 having disclosed that Army clothing was being manufactured in some cases under conditions not in accord with standards which should be maintained on work done for the Government. The operation of the board was directed against sweatshop and similar conditions which had long before the war been recognized as serious industrial evils. It aimed to establish and enforce the observance of sound industrial and sanitary conditions in the manufacture of Army clothing, in the inspection of factories, in the establishing of proper standards on Government work, in passing upon the industrial standards maintained by bidders on Army clothing, and in all respects to bring about more just working conditions in this industry.

Supervision over the wage rates of all employes of manufacturers supplying to the Government leather goods, harness and accessories, not including shoes, was vested in the National Harness and Saddlery Adjustment Commission, consisting of one representative each of the War Department, of the employers, and of the International Leather Worker's Union.

For the purpose of adjusting wages in the navy yards and arsenals an Arsenal and Navy Yards Commission was jointly created by the Secretaries of War and Navy. It was to have jurisdiction of cases that were not settled by representatives of the particular departments but as this was successfully accomplished in every case the commission itself was not called upon to function. General supervision over wage matters in navy yards was placed under an assistant to the Assistant Secretary of the Navy and in arsenals under a major in the office of the Secretary of War. Original jurisdiction over industrial relations in the navy yards was placed under the commanding officer or industrial manager. In the so-called "outside" plants working on navy contracts these matters were under the production inspector who was charged with reporting to the Department direct. In case of a strike the Navy Department depended upon the most convenient available adjusting machinery or governmental agency. In the Bureau of Yards and Docks of the Department, which had charge of considerable building construction work, commissioned officers were specially assigned to look after wage and other labor matters.

Under the Emergency Fleet Corporation an Industrial Relations Division operated separately and distinct from the Shipbuilding Wage Adjustment Board of the United States Shipping Board. Its service section counseled and advised as to scientific employment, administered draft deferments, and supervised transfers and related matters in the handling of the personnel in the shipyards. Its health and sanitation section assisted and cooperated with shipyard communities in all matters affecting the health and physical welfare of the shipyard workers. Its safety engineering section directed efforts towards reducing and minimizing the number of accidents not only in the building of ships but also in the construction of ship material, recommending machine guards and safety devices and conducting safety campaigns of education among the workers. Its education and training section instituted training centers in different parts of the country for qualifying

workers to do shipyard work and also for increasing the skill of employes already in the yards. The Industrial Relations group in the Emergency Fleet Corporation also contained a labor administration section for advising and counseling contractors, especially of plants supplying ship accessories, in the proper handling of disputes with their employes.

An Industrial Relations Division, in charge of a manager and with a corps of special representatives and welfare directors, operated within the United States Housing Corporation and had jurisdiction over all the labor matters having to do with the construction of the eighty-seven building projects of the Corporation in all parts of the country. This division formulated the principles governing the relations of the housing contractors with their 37,000 employes and supervised the securing of an adequate supply of labor, the wages paid, hours of work, prevention of accidents, settlement of controversies, provisions for the health, comfort, and welfare of the workers at isolated projects, and all the other multitudinous phases of the labor problem in war times.[1]

The work of these and other industrial service or relations sections or divisions in the direction of the application of the labor policy of the Wilson Administration was carried on in close cooperation with that of other branches of the Government, and in particular with that of the Department of Labor, so that it was correlated and made to accomplish with as little friction as possible a continuity in production. This goal of uninterrupted production was their primary object.

[1] For an interesting account of the detailed facts that go to make up so many labor controversies see Report of Industrial Relations Division in Vol. I of Report of United States Housing Corporation, Department of Labor, Washington, D. C.

# CHAPTER XIII

## THE NATIONAL WAR LABOR BOARD

THAT the national Government found it necessary to call into existence so many agencies for the control of labor relations in production should not be surprising when it is remembered that the Government was engaged in the operation of a nation-wide workshop, with plants in every State and almost every city employing millions of workers in thousands of different occupations surrounded by special labor conditions. The wonder is that the task was accomplished with so few such agencies. Among the most important of these is the National War Labor Board recommended by the War Labor Conference Board[1] in its report of March 29 and created by Presidential Proclamation April 8, 1918. This board had jurisdiction over all matters of labor controversies between employers and employes in all fields of industrial or other activity affecting war production where there did not already exist by agreement or federal law a means of settlement. Even where such agencies were provided, jurisdiction was with the War Labor Board in case these agencies failed to secure adjustment.

"The powers, functions, and duties of the National War Labor Board," says President Wilson's Proclamation, "shall be: To settle by mediation and conciliation controversies arising between employers and workers in fields of production necessary for the effective conduct of the war, or in other fields of national activity, delays and obstructions in which might, in the opinion of the National Board, affect detrimentally such production; to provide, by direct appointment,

[1] See Chapter VIII, page 85.

or otherwise, for committees or boards to sit in various parts of the country where controversies arise and secure settlement by local mediation and conciliation; and to summon the parties to controversies for hearing and action by the National Board in event of failure to secure settlement by mediation and conciliation."

The principles observed and the methods followed by the War Labor Board in exercising its powers and functions and in performing its duties were those specified in the report of the Labor Conference.[1] The board was to refuse to take cognizance of a controversy between employer and employes where there was a means of settlement which had not been invoked. The Proclamation of the President urged upon all employers and employes within the United States "the necessity of utilizing the means and methods thus provided for the adjustment of all industrial disputes," and requested that "during the pendency of mediation or arbitration through the said means and methods there shall be no discontinuance of industrial operations which would result in curtailment of the production of war necessities."

The War Labor Board consisted of the same members selected in the same manner and by the same agencies as the War Labor Conference Board. It was provided in the report outlining the organization of the board that if its efforts failed to bring about a voluntary settlement, and its members were unable unanimously to agree upon a decision, then in that case and only as a last resort, an umpire was to hear and finally decide the controversy under simple rules of procedure prescribed by the board. The umpire was to be chosen by unanimous vote of the board, failing which the name of the umpire was to be drawn by lot from a list of ten suitable and disinterested persons nominated for the purpose by the President of the United States. These ten men were Mr. Henry Ford of Detroit; Mr. Matthew Hale of Boston; Mr. J. Harry Covington and Mr. Charles C. McChord of Washington, D. C.;

[1] See Chapter VIII, page 86.

Mr. V. Everit Macy and Mr. William R. Willcox of New York; Mr. Julian W. Mack of Chicago; Mr. Henry Suzzallo of Seattle; Mr. John Lind of Minneapolis; and Mr. Walter Clark of Raleigh, N. C.

The place of each member of the board unavoidably detained from attending one or more of its sessions was to be filled by a substitute to be named by such member, the substitute having the same representative character as his principal.

The action of the board could be invoked in respect to controversies within its jurisdiction by the Secretary of Labor or by either side in a controversy or its duly authorized representative. The board, after summary consideration, could refuse further hearing if the case was not of such character or importance to justify it.

In the appointment of committees of its own members to act for the board in general or local matters, and in the creation of local committees, the employers and the workers were to be equally represented.

The two representatives of the public in the board were to preside alternately at successive sessions of the board or as agreed upon.

The policy to be observed by the board in its mediating and conciliatory action, and by the umpire in his consideration of a controversy, were outlined in the report of the Conference Board.[1]

The plan of procedure and method that was followed in cases within its jurisdiction provided for the appointment of subcommittees of two members to act for the board in every local controversy, and the appointment of permanent local committees in cities and districts to act in cases therein arising. A method of investigating industrial disputes by field agents sent into territories by the board from Washington was also provided for, as was also the method to be followed by persons desiring to bring a condition to the attention of the board.

Under its form of procedure the board sat in hearing only

[1] See Chapter VIII, page 86.

when its sections or subcommittees or local committees found it impossible to settle a controversy, and then it sat as a board of arbitration to decide the controversy and make an award.

In compliance with the direction of the President's Proclamation the board heard appeals in the following cases: (1) Where the principles established by him in such Proclamation had been violated; (2) where an award made by a board had not been put into effect, or where the employes had refused to accept or abide by such award; (3) determination of questions of jurisdiction as between Government boards.

No attempt will be made here to present the many activities of the board or even to summarize its decisions in the more important labor controversies. Many of those that came before it for settlement were similar, as to the industrial issues involved and in many of their details, to those confronting other agencies of the Government which have already been discussed. Several decisions involving broad economic principles will be referred to briefly.

In readjusting the wage schedules in eight plants at Waynesboro, Pennsylvania, the board fixed forty cents an hour as the minimum rate to be paid any class of workers, including common laborers. This minimum however, was not to be regarded as the living wage standard, which latter is the minimum wage that permits or enables the worker and his family to subsist in health and reasonable comfort. In this case the award of the board gave many of the workers wage increases considerably in excess of their demands, to gain which they had gone out on strike. They had demanded for common laborers a minimum of thirty cents an hour, these workers at the time receiving as little as twenty-two cents an hour. The increase to the lowest paid men thus amounted to 81 per cent. The board did not decide to establish generally throughout industry this minimum wage of forty cents an hour. Its policy was to determine and apply a fair living wage in each case on the basis of the particular facts.

This principle is illustrated in its decisions in street railway

controversies many of which came before the board. In these cases the board established a different rate for street car employes in the smaller city doing similar work to employes in the large city. While in all cases substantial wage increases were granted the rates established varied, there being no flat minimum or maximum that was applied generally. Wages for motormen and conductors in the larger cities were fixed at from forty-eight to fifty and one-half cents an hour and the rate for apprentice motormen and conductors at forty-three cents. In the smaller cities the pay for motormen and conductors was increased to forty-five cents and for apprentice motormen and conductors to forty-one cents an hour. In the case of small interurban roads, where the employes as a general thing live in rural communities, the wage for motormen and conductors was fixed at forty-two cents and for apprentices at thirty-eight cents an hour. Thus the board in fixing the wage rate took into consideration local conditions and such other facts as were applicable in individual cases.

In many of the street railway cases trackmen, pitmen, pitmen's helpers, controllers, oilers, and so on also demanded increased wages and improved working conditions, and these employes had their wages increased at first in the same ratio as the highest increase to conductors and motormen. It was later found that even this increase did not provide these men with a wage sufficient under the living wage principle, and the arbitrators therefore later fixed forty-two cents an hour as a minimum for these men. In these street railway cases the board formulated a definite policy on the question of the ability to pay increases in wages by street railway corporations, which policy was based upon the facts and arguments presented at its hearings.

The board's finding in the case of the Bethlehem Steel Corporation was one of the most important in many respects of any of its decisions. It granted the workers the right to organize and to bargain collectively; ordered the revision or complete elimination of the bonus system in operation at the plant;

directed the revision of piece work rates; established a designated and guaranteed minimum hourly wage rate for some five thousand machine shop workers; applied the payment of time and one-half for all overtime and double time payment for Sundays and holidays; provided for just overtime payment to piece workers; and called upon the company to pay men and women alike when performing the same work, and to allot women no tasks disproportionate to their strength.

In the revision of the piece work rates by the plant management it was to cooperate with committees of the workers and representatives of the Ordnance Department, the latter being the Government department principally interested in the output of the plant. A permanent local board of mediation and conciliation, consisting of six members, three chosen by the company and three by the workers, was created to effect agreements on disputed points in the future and on similar matters not covered in the award, the board to be presided over by a chairman selected by and representing the Secretary of War. In addition, an examiner of the board was assigned to interpret and enforce the award, with specific instructions to investigate and report to the board all charges of company discrimination against union men. As many as twenty-eight thousand workers were affected by this award.

Upon the request of employers representing fifty-three firms and corporations employing more than fifty thousand workers in Bridgeport, Connecticut, comprising virtually the entire working industrial population of that city, the board undertook the settlement of wage and other demands that threatened to disrupt the complete system of industrial relations between employers and employes that had been built up in that city. Each of the companies signed an agreement binding it to abide by whatever decision was made by the board.

The grievances of workers which had created the general unrest at Bridgeport throughout six months and more of the war period, during which time several strikes had occurred, included charges by employes that employers organized in the

Manufacturers' Association had maintained a "black list" of union workers; the demand for the right of employes to participate through chosen representatives in a reclassification of workers in the various plants; and requests for increases in wages to meet the increase in the cost of living.

In one of its awards the board ordered the General Electric Company to eliminate individual employment contracts in its plant at Pittsfield, Massachusetts, and to establish there a just system of collective bargaining between the company and its men. This decision banishing the individual contract was the first of its kind made by the board. The practice of the company was to submit this contract to the men as they entered upon employment at the plant but the board characterized it as a source of irritation. Its abolition was one of the principal demands of the workers. The order of the board was to the effect that such of the contracts as were then in existence should be discontinued and no others made in the future. Such contracts prevail in a large number of industrial establishments throughout the country and are devised to supplant or take the place of joint bargaining agreements. In place of the individual contract system at the General Electric's plant at Pittsfield the board directed the establishment of a system of employe representation in dealing with labor matters. This comprised the election by the workers of committees from among themselves to represent them in dealing with the firm as to wages, hours, and conditions of employment. Up to the time of the board's award the company had not recognized either committees or individuals representing groups of workers at its Pittsfield plant although at its Schenectady plant, where there was a stronger union of its employes, committee representation had been recognized and adopted.

In the case of the telegraph companies and their employes the board arrived at a decision, the essential points of which are as follows: (1) Employes have a right to join a union if they so desire, and men discharged for belonging to the union should be reinstated; (2) the company should not be required

to deal with the union or to recognize it; (3) committees of employes should be recognized in presenting grievances; (4) where employes and employers fail to agree, the question in dispute should be determined by the National War Labor Board; (5) the telegraphers' union should not initiate strikes or permit its members to initiate them, but should submit all grievances to the National War Labor Board.

Officials of the telegraph companies at first balked upon accepting this decision. President Wilson in a letter to the President of the Postal Telegraph Company under date of June 11, 1918, stated that in his judgment "It is imperatively necessary in the national interest that decisions of the National War Labor Board should be accepted by both parties in labor disputes. To fail to accept them is to jeopardize the interest of the Nation very seriously, because it constitutes a rejection of the instrumentality set up by the Government itself for the determination of labor disputes, set up with a sincere desire to arrive at justice in every case and with the express purpose of safeguarding the Nation against labor difficulties during the continuation of the present war. All these circumstances being taken into consideration, I do not hesitate to say that it is a patriotic duty to cooperate in this all-important matter with the government, by the use of the instrumentality which the Government has set up. I, therefore, write to ask that I may have your earnest cooperation in this matter, as in all others, and that you will set an example to the other employers of the country by a prompt and cordial acquiescence."

President Mackay of the Telegraph Company replied to the effect that "this company has done its very utmost since the beginning of the war to assume its full share of responsibility to the Government and to the public and that, in order to still further show its sincerity and earnest desire to be of service at this time of national trial, we can not but respond to your request that we waive, during the war, our right to discharge employes who join a union, and you may rely upon our doing so."

A complete volume could be written on the activities and decisions of the National War Labor Board, and the importance of these to our industrial society are not to be measured by the limited space necessarily accorded to its work here. The principles upon which it operated and the economics of its decisions are deserving of wide practice in all our industries, in peace as much as in war times, if America is to solve successfully the one problem most vital to its continuance as a Nation — the problem of justice in the production and distribution of wealth.

# CHAPTER XIV

## THE FEDERAL DEPARTMENT OF LABOR

THE National War Labor Board was only a part of the program formulated by the Council of National Defense for Governmental machinery to be organized and put in motion by the Department of Labor in order to make effective the war labor policy of the Wilson Administration. This federal Department was already in existence, having been separated at the beginning of the Wilson Administration in 1913 from the Department of Commerce and Labor and made an independent Department with its Secretary a member of the President's Cabinet. To this Department was delegated the task of providing for every phase of the labor problem that affected continuous and maximum war production.

In designating in January, 1918, Mr. William B. Wilson, the Secretary of Labor, as National Labor Administrator, President Wilson clothed that official with full power and wide authority. How comprehensive this was is only slightly indicated in the statement that it included housing, transportation, distribution, health, and even training of war workers. To assist in the accomplishment of this task the Secretary of Labor appointed an advisory council which included representatives of the War, Navy, and Agricultural Departments and the Shipping Board. This interdepartmental arrangement tended toward eliminating conflicts and questions of jurisdiction as well as the duplication of machinery and effort in supplying war industries with labor, and in their places established cooperation. The object was to secure centralization and unification of efforts on the part of employers, employes, and the public.

The program designed to meet the situation provided agen-

cies for the following purposes in addition to those of the National War Labor Board:

For supplying houses for war workers, transportation, safeguarding conditions of living, and so on.

For safeguarding conditions of labor in the production of war essentials, including protection in industrial hygiene, safety, women and child labor, and so on. A special women in industry bureau was created.

For furnishing an adequate and stable supply of labor to war industries, including (1) a system of labor exchanges, (2) a method and system of administration for the training of workers, (3) an agency for determining priorities of labor demand, and (4) agencies for the dilution of skilled labor.

For assembling and presenting information, collected through various existing governmental agencies and by independent research, necessary to effective executive action.

For developing public sentiment, securing an exchange of information between departments of the labor administration, and the promotion in industrial plants of local machinery helpful in accomplishing the national labor program.

For the correlation of all these and other governmental agencies in order to secure team work, centralization of administration, uniformity in policy, elimination of duplication of effort, and so on.

All this was in addition to the regular work of the Department of Labor which latter also was adapted where necessary to meet the war demands and which included the Bureau of Labor Statistics, the Bureau of Immigration, the Bureau of Naturalization, the Children's Bureau, and the Bureau of Mediation and Conciliation.

For the housing of war workers the Bureau of Housing and Transportation was created within the department of Labor. In order to meet the practical conditions confronting the actual letting of contracts and the direction of the construction of houses, the Bureau had incorporated by the State of New York the United States Housing Corporation. Separate pro-

vision for the construction of houses for shipyard workers was made by the Division of Housing and Transportation of the Emergency Fleet Corporation.

To most people houses for workers to live in and the winning of the war are unrelated facts but not to those who were made familiar by the stress of war times with the actual conditions. There is no one who will deny that buildings at cantonments are a war essential, that uniforms and rifles and ammunition are equally necessary, but there were few in the country at the time who realized that houses for workers engaged in the production of rifles and uniforms and shells were equally necessary. The prosecution of every practical line of war endeavor sooner or later, and quite often sooner than later, faced the question of houses for war workers as the crucial problem that had to be worked out in some way if production was not to be seriously interfered with. An enormous labor turnover was being reported by all war industries, the primary cause of which was inadequate housing in the immediate vicinity of the congested manufacturing centers coupled with an insufficiency or total lack of transportation facilities between the places in which the workers were employed and their homes. The loss in production of materials essential to the Government's war program was in consequence rapidly assuming alarming proportions. Private house construction was virtually at a standstill due partly to difficulties in procuring materials and uncertainty as to financial returns.

Evidence of this is in abundance in the testimony and reports obtained by the committee on housing of the Council of National Defense appointed in October, 1917, to investigate the housing problem in connection with workers employed on Government contracts and the relation of that problem to the output of war materials. The committee found that with few exceptions the Government contracts for guns, ammunition, ships, and other war materials were being let with little or no consideration of the housing needs incident to a rapid and large increase of labor at those plants receiving the contracts. In

one New England manufacturing city, for illustration, sixteen concerns were engaged upon war contracts needing ten thousand additional men for whom there existed virtually no living accommodations. At one steel plant, mainly employed with Government contracts and with extensive additions to its plant approaching completion, immediate provision for houses was necessary if the production of guns, gun carriages, and other munitions was not to be curtailed fully one-third of the plant's possible output.

In the Norfolk, Virginia, district where $200,000,000 was being expended on Government contracts, thirty-five thousand new workers had exhausted as early as February, 1918, all available housing facilities. The war production program for that district called for an additional thirty-five thousand workers to be brought in from other parts of the country but there were no housing accommodations for them. Houses were also badly needed at New Brunswick, New Jersey, for workers engaged in aircraft production; at Bath, Maine, for employes constructing torpedo boat destroyers; at Indian Head, Maryland, one of the Navy's proving grounds; at Mare Island, California, in the Government arsenal; at the Philadelphia Navy Yard; at Bremerton, Washington; and at a hundred and more points of production widely scattered over the country. In the National Capital it was found imperative that the Government through its Housing Corporation construct sixteen dormitory-hotels for women war workers to assist in accommodating the more than fifty thousand additions to the clerical positions in the various departments of the Government.

On May 16, 1918, President Wilson affixed his signature to the housing act and in June the United States Housing Corporation entered actively upon carrying to early completion its extensive war housing program. The policy followed was one under which the Government itself built, owned, and rented all houses which the Housing Corporation through its contractors constructed during the war. The appropriation made available to the bureau exceeded $100,000,000, of which

$10,000,000 was specifically set aside for the needs of the District of Columbia. Even with a sum of this magnitude it was not possible for the National Government to assist every community which was embarrassed by a housing shortage. As a prerequisite to affirmative action upon their requests, the bureau insisted upon certification by that branch of the War or Navy Department whose contracts were most directly affected. In cases the needs of the situation were met by the bureau through improving or extending on Government loan the transportation facilities in communities contiguous to the manufacturing centers. Altogether at the signing of the Armistice the Housing Corporation had in various stages of construction eighty-seven separate housing projects in different parts of the country. Of these, twenty-five were carried to completion, work on all the others being discontinued shortly after the Armistice.

Another new agency of the Department of Labor during the war emergency was the Division of Women in Industry. This was in recognition of the growing importance of the work of women in industrial pursuits which necessitated a national policy in determining the conditions of their employment. The immediate task of the Division was to develop policies and methods which would result in the most effective use of women's services in production for the war, while at the same time preventing their employment under injurious conditions. It also confronted the task of coordinating work for women in other departments of the Government as well as cooperating with State departments of labor, working with and through them, in order to bring about unity of action in the national problems of women's work. It was a clearing house for women labor for the entire country, not the least important of its duties being the conservation of existing labor standards and the establishing of additional standards whenever the conditions required such action.

How necessary this was is indicated in the fact that the unprecedented shortage of labor brought about by the military,

naval, and industrial demands of the Government, not only for male soldiers and sailors but also for workers for the production of war materials, naturally resulted in widespread recourse to the substitution of the labor of women. In even greater numbers than preceding the war they became clerks, cashiers, and accountants in manufacturing, mercantile, and financial establishments, in the offices of transportation companies, and other public utilities; sales clerks and floor walkers in mercantile establishments, including among others department stores, specialty shops, shoe stores, men's furnishing stores, florists' shops, jewelry stores, drug stores; street car conductors, elevator attendants, waitresses, attendants at soda water fountains, taxi drivers, chauffeurs, workers on the farms, and so on.

More and more as the war progressed the Government itself had to depend upon women to perform the tremendously increased volume of work in the civil branches. The force of civilian employes in the National Capital alone increased from thirty thousand to approximately seventy thousand during the first year of the war and of this increase more than twenty-five thousand were women. The United States Civil Service Commission was then calling for women for Government work in as many as sixty different occupations, such as stenographers; typists; bookkeepers; clerks of a score and more classifications requiring training in some special or technical line; statisticians; operators of various kinds of calculating, addressing, and duplicating machines; proof readers; law clerks; welfare executive secretaries; draftsmen; telegraph and telephone operators; trained nurses; chemists; physicists; library assistants; inspectors of undergarments; finger-print classifiers; employment managers; and many others. Departmental heads issued instructions to give preference to women employes in filling vacancies as well as for new appointments to clerical positions. Women became ship draftsmen in the navy yard service and mechanical, marine, engine, and boiler draftsmen in the Navy Department; passenger-rate, freight-rate, and ex-

press-rate clerks in the depot Quartermaster's offices of the War Department; schedule, store, index, and catalogue clerks in the office of the Chief of Ordnance of the War Department; and negative cutters in the Geological Survey.

An analysis of thousands of calls for women labor on war contracts shows the making of munitions, spinning, weaving, knitting, sewing, and the conserving of food to be among the more important demands. They were employed in the gas mask plants as inspectors and throughout every step of the entire process of manufacture, girls being trained in the special art of sewing the face pieces. They worked in munitions establishments on drill presses, in making and marking fuses, in loading the shells, in gauging machinery and shells, in assembling artillery, and in inspection, drafting, electrical, and carpentry work.

Naturally the conditions under which these women were employed was a matter of concern to the Government. Suggestions as to employment, management, and health conditions were made to manufacturers. Employments involving special hazards, such as the use of industrial poisons, were to be guided by the standards as to health, comfort, and safety set up by the National Government and the State labor departments. The standards as to hours, night work, wages, and general conditions of labor established by the Chief of Ordnance and the Quartermaster General[1] were adopted by the Division of Women in Industry.

The enormous increase in the demand for workers in industrial pursuits of all kinds, coupled with the depletion of the supply by the withdrawal of the nearly three million able bodied men who were in the Army camps and Navy service and the practical stoppage by the war of the annual immigration of one million aliens from Europe, brought about the critical situation which forced the creation of the United States Employment Service of the Department of Labor. Industries with Government war contracts were short four hundred

[1] See Chapter XII, pages 125 to 127.

thousand workers by June, 1918, and the railway and coal mining industries were also being seriously handicapped by the lack of men. In Connecticut and Maryland alone munition plants needed thirty-five thousand skilled machinists. There was no Government coordination between the letting of contracts and the available labor supply in the vicinity of the plants any more than we have seen consideration was given in the letting of contracts to the housing supply for the workers. There was in existence no machinery for gauging present and future demands for labor by these war industries, or for measuring the relative importance of these demands as between industries, or for supplying the demands, or for determining between essential and less essential industries. There were no means of preventing labor from leaving the farms where the need was as great as that of the industries into which they poured because of the high wages the competitive bidding of contractors had brought about.

It is true there were in existence thousands of private employment agencies scattered throughout the principal cities of the country but these soon broke down and their operation was more harmful than otherwise because of their practices and competitive methods. There were also State employment agencies in some of the more important manufacturing States but the problem of labor distribution that confronted them was wholly beyond their antiquated machinery to meet the unprecedented emergency. In the Department of Labor there was also a Division of Information under the Bureau of Immigration but this was limited in its operation to incoming aliens whose arrival had been stopped by the war. In brief, the Government found itself confronted by an abnormal situation for which no provision had been made.

Out of this necessity came the organization of the United States Employment Service. So important was its establishment deemed to be that President Wilson issued a statement to the public under date of June 17, 1918, in which he said in part: "There has been much confusion as to essential pro-

ducts. There has been ignorance of conditions — men have gone hundreds of miles in search of a job and wages which they might have found at their doors. Employers holding Government contracts of the highest importance have competed for workers with holders of similar contracts, and even with the Government itself, and have conducted expensive campaigns for recruiting labor in sections where the supply of labor was already exhausted. California draws its unskilled labor from as far east as Buffalo, and New York from as far west as the Mississippi. Thus labor has been induced to move fruitlessly from one place to another, congesting the railways and losing both time and money. Such a condition is unfair alike to employer and employe, but most of all to the Nation itself, whose existence is threatened by any decrease in its productive power."

The obvious solution, said the President, was a central agency acting as the voice of all the industrial agencies of the Government and having sole direction of all recruiting of civilian workers in war work, with power to assure to essential industry an adequate supply of labor, even to the extent of withdrawing workers from non-essential production. It should also, he said, protect labor from insincere and thoughtless appeals made to it under the plea of patriotism, and assure the worker that when he is asked to volunteer in some priority industry the need is real. The President urged all employers engaged in war work to refrain after August 1, 1918, from recruiting unskilled labor in any manner except through this central agency, and appealed to labor to respond "as loyally as heretofore to any calls issued by this agency for voluntary enlistment in essential industry."

In carrying out this program the Employment Service was organized as the national labor mobilization and distribution machine, serving as a civilian recruiting agency for war work in a somewhat similar way as the agencies recruiting for the actual fighting branches of the Government. Partly because of the unprecedented labor turnover, the Service confronted

the huge task of placing during 1918 millions of workers in agriculture, shipbuilding, and the other war industries. The plan of organization included the establishing of a network of seven hundred and fifty labor exchanges in virtually every important city in the United States. Five divisions handled the details of its operations, these being the division of information, of farm service, of women's work, of reserves, and of investigation. It functioned in cooperation with similar activities of bureaus of the various States.

Control was first undertaken of the recruitment and distribution of unskilled labor for war production. After August 1, 1918, no employer engaged wholly or partly in war work whose maximum force exceeded one hundred workers, either skilled or unskilled, was to secure unskilled labor except through or under the direction of the Employment Service, excepting railroads and farmers. Advertising of any kind for unskilled labor, whether by card, poster, newspaper, handbill, or other medium was prohibited to such employers. No restrictions were placed upon them in recruiting skilled labor other than that they should avoid causing restlessness among or employing men already engaged in other war work, including railroads, farms, and coal mines, as well as work covered by contract for Government departments. The Service operated through its own officials and branch office employes, the one hundred and fifteen State employment offices, the recruiting agencies of the manufacturers, the fourth class postmasters and rural carriers of the Post Office Department, the "Four Minute Men" of the Committee on Public Information, and its own Public Service Reserve.[1]

In an effort to speed up the Shipping Board's building program the Service called upon the technical educational institutions to organize every available young man between eighteen

[1] A registration agency for patriotic citizens who desired to offer their services to the Government either with or without compensation and to work either directly in Government enterprises or in enterprises engaged in service for the Government.

and twenty-one years of age to serve as apprentices in the shipyards in which wooden vessels were being constructed. It also made an appeal to the presidents of more than six hundred colleges and universities asking their help in mobilizing their students on farms during the summer. To assist in farm work there was also organized the Boys' Working Reserve for young men between sixteen and twenty-one years of age who were to give their spare time in productive enterprise without interrupting their studies at school.[1] Manufacturers were persuaded to dispense with the services of a portion of their employes for temporary periods of from one to four weeks to assist in the cultivation of food crops. Steps were taken by the Commissioner of Indian Affairs for determining the number of Indians on reservations who could be spared for farm and other work in other localities and who could be induced to accept employment at the prevailing wage.

Sections of the immigration law were suspended by the Secretary of Labor so as to permit the importation of laborers from Mexico during the period of the war to engage in agricultural pursuits, in the maintenance of way on railroads, in mining enterprises in which Mexican laborers had customarily been employed, and in common labor work in connection with Government construction in Texas, New Mexico, Arizona, and southern California. These immigrants were exempted from the payment of the head tax, the application of the literacy test, and the enforcement of the contract-labor provision of the immigration act. The Department of Labor also brought in laborers from Porto Rico and the Virgin Islands for work on Government contracts, on the railroads, and in agricultural pursuits in the South and Southwest, the number it was planned as early as January, 1918, to bring into the country exceeding one hundred thousand.

Over the formulation of principles and policies and the es-

[1] In New York State alone upwards of five thousand boys, located in groups under leaders in camps, schoolhouses, barns, and the like, were engaged at one time in farm work.

tablishing of practices and standards having to do with the distribution of labor and the conditions of employment the War Labor Policies Board was given jurisdiction. The functions of this board were strictly administrative and are not to be confused, as they were quite frequently in the public mind, with those of the National War Labor Board. The Policies Board assisted in correlating and unifying the operation of the various Government departments on industrial matters in the practice of which it was agreed there should be uniformity of action. It was concerned primarily with such questions as standardization of labor and in particular of wages in Government plants and those on war contracts; the providing, distributing, and maintaining of a stable and adequate supply of workers; labor dilution and training; priority demands for labor; and the safeguarding of employment, living, and housing conditions for workers engaged in war work.

## CHAPTER XV

### THE GOVERNMENT, WAGES, AND THE COST OF LIVING

THE task set the National Government by the war emergency in the control and direction of the economic forces affecting industrial production by the workers was as great and as unprecedented as was the military task of winning the war. Production of commodities and of services under this emergency meant as complete and as revolutionary changes in habits, in processes, and in practices of industry as did the conduct of the war in its effect upon established principles of military operations. The United States Government was no more prepared for this nationalization of production than it was for a war in a foreign country of the magnitude which the European conflict assumed. It was compelled to undertake the impossible; it, of course, fell short of that accomplishment. But the results in the one case as in the other do not so much justify criticism of the Government and its agencies for the efforts that failed as they justify praise for those other efforts that succeeded. And among these efforts deserving of commendation is the Government's adoption and enforcement of a policy as to wages which emphasized their social rather than their economic aspects.

Compensation to the men in the service of the Army and Navy was determined by law and had no essential relation to the tasks they were to be called upon to perform. In both these branches of war service the Government supplied the men with food, clothing, and shelter in addition to their stipulated monthly pay. But to the millions of citizens voluntarily enlisted in the war industries of the Government the question

of wages was quite a different problem. These workers had to meet all their living expenses and the cost of these was constantly and rapidly increasing. What was to be the method of determining fair wages, for the Government, of course, as employer would not want to pay other than fair wages to the workers?

The answer the Government made to this question was virtually as follows: "We know the industrial workers of the country in all trades and occupations have for years been striving and struggling to increase their money wages. We know they claim the present wage basis to be unfair and unjust. The Government cannot be expected, however, under the emergency circumstances of war, to pass judgment upon the justice or injustice of present wages. But the Government does intend to do this: Accepting the present wage basis, there shall be increases periodically to correspond with the increase in the cost of living to the workers. That is, as the cost of food, clothing, and shelter, and so on increases, wages will be increased."

This policy was reflected in the action of every Government agency having to do with the wages of war workers. For illustration, one of the first of these agencies to take action was the Railroad Wage Commission. In its report to the Director General of the Railroad Administration it stated that the standards it sought to meet were the right thing "at this time," a measure of justice, and consideration for the needs of the men, whether organized or unorganized, whether replaceable or not replaceable. To the mind of the commission the object sought was qualified materially by the phrase "at this time." The existing state of war, it believed, prohibited anything approximating a determination of ideal conditions. The question which it formulated and for which it sought an answer was this: "By what amount have the railroad workers been disadvantaged by reason of the war, and how may that disadvantage be overcome with the largest degree of equity?"

The way the commission met the situation was as follows:

"We have had a most exhaustive study made of the cost of living today as contrasted with the cost of living for the latter part of 1915, when by the reaction of the European war the American people first felt keenly the increase in the burdens of life and the need for higher wages. This study has been made without reference primarily to those quite thorough investigations which have been carried on by the Department of Labor and other governmental and many private agencies. And to our minds it conclusively establishes two things: (1) That the cost of living has increased disproportionately among those of small incomes, and (2) that there is a point up to which it is essential that the full increased cost shall be allowed as a wage increase, while from this point on the increase may be gradually diminished.

"This study of the cost of living was not made from paper statistics exclusively, by the gathering of prices and comparisons of theoretical budgets. It was in no inconsiderable part an actual study from life, one of the most interesting and valuable groups of figures having been gathered by the newspapers of the country, by interviews with those of the working class, and the inspection of their simple books of accounts. Roughly, it may be said that the man who received eighty-five dollars a month on January 1, 1916, now needs 40 per cent. additional to his wage to give him the same living that he had then. Below that wage a larger percentage must be allowed because the opportunity for substitution and other methods of thrift decline almost to a vanishing point, for above that wage a growing proportion of the increase will go to those things essential to cultured life, but non-essential to actual living. In fairness, therefore, a sufficient increase should be given to maintain that standard of living which had obtained in the prewar period, when confessedly prices and wages were both low." [1]

This, then, was the goal aimed at by all the Government Departments and agencies having control directly and indirectly over wages. For this purpose they depended for their measurement of the increase in the cost of living upon the report of the Bureau of Labor Statistics of the Department of Labor. This report dealt principally with the prices of food products, although occasionally special reports were issued

[1] Report of the Railroad Wage Commission to the Director General.

treating of increases in the price of clothing, fuel and lighting, and rent. For its prices of foods the Bureau depended upon reports from selected and dependable retail dealers in fifty cities in different parts of the country giving quotations on similar grades of commodities that would permit of fairly accurate comparisons over stated periods of time. These commodities were weighted in relation to each other according to their importance in the consumption of the average workingman's family. Twenty-two of the most essential foods are sirloin steal, round steak, rib roast, chuck roast, plate beef, pork chops, bacon, ham, lard, hens, flour, corn meal, eggs, butter, milk, bread, potatoes, sugar, cheese, rice, coffee, and tea.

For the six-year period from November, 1913, to November, 1919, the increase in the prices of these twenty-two articles combined was 92 per cent. Articles which more than doubled in price, that is increased more than 100 per cent., were sugar, 131 per cent.; lard, 129 per cent.; flour 124 per cent.; corn meal, 113 per cent.; potatoes, 105 per cent.; bread, 104 per cent.; and rice 102 per cent.[1] By November, 1917, at the time of the signing of the Armistice by Germany, the increase in the price of all twenty-two articles had reached 60 per cent., and by November a year later 84 per cent., above the 1913 average. This percentage increase in food prices at any particular time applied to the existing wages in relation to their 1913 basis indicated the per cent. increase in wages necessary for the workingman to keep abreast of the increase in the cost of living. This was the principal on which the Government agencies operated during the war in granting increases in wages to its war workers other than those in the strictly military service of the Army and Navy.

Food, of course, is not the only, although it is the most important, factor entering into the workingman's cost of living. For illustration, reports of the Bureau of Labor Statistics show the following increases in other elements in the cost of living to workers in the New York shipbuilding district from the

[1] Monthly Labor Review, Vol. X, No. 1, January, 1920.

beginning of the European war up to December, 1917: Men's clothing, 51 per cent.; women's clothing, 52 per cent.; furniture and furnishing, 56 per cent.; housing 2.6 per cent.; fuel and light, 20 per cent.; miscellaneous items, 45 per cent. Of expenditures of the average family 45 per cent. go to pay for food, 13 per cent. for housing in the form of rent, and 20 per cent. for fuel and light. The average expenditure of each 608 families of these shipyard workers was found to be $1,348.64 during 1917.

Such a principle for determining wage increases is not, of course, ideal and is not to be commended as a proper basis for wage increases under peace time conditions. As a war emergency it was probably the best that could have been adopted. But it errs fundamentally in that it operates rigidly to keep the workers' standard of living at a standstill — it makes no provision for the necessary increase in that standard. Even more than this, it actually operates to lower the standard in that the increase in wages to the worker comes at the end and not at the beginning of the period of price increases and does not compensate him for the difference, measured by the increase, which he has had to pay in the meantime, unless the award is made to apply retroactively to the time when the price increases started. An exception to the statement as to a decreasing standard of living is found, of course, in those cases where the cost of living decreases and wages continue the same, but this was not the economic tendency during the war period. An even stronger objection to the cost of living principle as applied to wage increases is to be found in the fact that the wage basis taken as the standard may not, and usually does not, represent a just standard of living to the worker. Most assuredly the low pre-war basis of wages is not by any means representative of that standard of living of the American workingman which is essential to his status as a citizen of a democracy!

The Government having determined upon the policy that the wages of war workers in industries should be increased during

the period of the war in such proportion as was made necessary by the increase in the cost of living, the question naturally arose as to who or what class or group in society was to meet these increases in wages. The increases could come from one or both of two sources — from a decrease in the profits of the manufacturers and producers or from an increase in prices to the consumers.

"It is obvious that these advances in wages must be taken either from the operator or the consumer,"[1] says the Fuel Administrator, in a letter to President Wilson under date of October 6, 1917, in which he approves of wage increases of 50 per cent. to bituminous coal miners and 78 per cent. to mine laborers. It was his understanding, he said, that in fixing provisional prices by the Government for the sale of coal, it was intended to allow a fair profit to the operators. "On the assumption that the prices fixed yielded a fair profit to the operator," continued the statement, "it is clear that if this increase of wages is to fall entirely upon the operators, their profits will no longer be fair, unless the result of the increase bears an insignificant relation to these profits. This question was submitted to me as Fuel Administrator. It is not possible to estimate the exact effect of the proposed increases upon the prices fixed. But the experts of the Federal Trade Commission and of the Fuel Administration have made as careful computation as the data in hand permit. I have asked

[1] The increase could have been taken partly from the operator and partly from the consumer, and in such a policy there would have been a greater degree of economic justice as between the wage earner, the capitalistic producer, and the consumer, in that, as already stated, the wage worker was not wholly compensated for the increase in the cost of living through his wages being increased only after he had borne for a time the increased cost of living. The producer could have been made to bear his proper proportion by increasing the price of his commodity somewhat less than the whole of the wage increase, and this would automatically have transferred to the consumer his proper proportion of the economic burden. Instead, the effect of the Government's policy was to transfer to the consumer an undue proportion of the inescapable increase in the cost of living.

these gentlemen to exclude from their computations any allowance which could properly be regarded as an indirect increase of the profits of the operators, and to make their calculations with the sole object in view of covering the increase in wages by interpreting the above proposals in terms of the prices fixed by you, that is to say, to advise me how many cents per ton on coal produced the proposed wage increases mean."

The supplemental agreement of November 17, 1917, between the anthracite operators and mine workers covering wages and working conditions in the anthracite fields of Pennsylvania, approved by the Fuel Administration, contained a clause to the effect that the increase in wages agreed to "would become effective only on condition that the selling price of coal would be advanced by the United States Government sufficient to cover the increased cost of production," and the agreement was not to take effect "until the first day of the pay period following the order granting such increased price." Under these conditions the agreement was to be effective during the period of the war or until March 31, 1920, in case the war was not terminated before that time. Under date of November 28, 1917, the President in an Executive Order increased the selling price of anthracite by the addition of thirty-five cents to each of the prices prescribed and adjusted by him for anthracite at the mines under date of August 23, 1917, and adjusted as to pea coal October 1, 1917. This price increase was the amount the Fuel Administrator had determined was necessary to meet the increase in wages.

The act approved August 10, 1917, provided among other things as follows: "That, by reason of the existence of a state of war, it is essential to the national security and defense, for the successful prosecution of the war and for the support and maintenance of the Army and Navy, to assure an adequate supply and equitable distribution and to facilitate the movement of foods, feeds, fuel, including fuel oil and natural gas, and fertilizer and fertilizer ingredients, tools, utensils, imple-

ments, machinery, and equipment required for the actual production of foods, feeds, and fuel, hereafter in this act called necessaries; to prevent, locally or generally, scarcity, monopolization, hoarding, injurious speculation, manipulation, and private controls affecting such supply, distribution, and movement; and to establish and maintain governmental control of such necessaries during the war. For such purposes the instrumentalities, means, methods, powers, authorities, duties, obligations, and prohibitions hereinafter set forth are created, established, conferred, and prescribed. The President is authorized to make such regulations and to issue such orders as are essential effectively to carry out the provisions of this act."

Under the price fixing authority thus conferred on the President by Congress the various Departments of the Government operated on the principle of increasing prices of manufacturers and producers equal to the wage increases they were called upon to meet by the enforcement of the Government policy of advancing wages proportionately to the increase in the cost of living. In determining the "just, reasonable, and fair profit" for articles under the control of the Food Administration, for illustration, President Wilson issued an Executive Order under date of November 27, 1917, authorizing and directing the United States Food Administrator, in prescribing regulations for licenses, to establish as a basis "the normal average profit which persons engaged in the same business and place obtained prior to July 1, 1914, under free competitive conditions." The order also directed the Food Administrator to "indicate, if he shall see fit to do so, what margin over cost will return such a just, reasonable, and fair profit; to take such legal steps as are authorized by said act [1] to prohibit the taking of any greater profit."

These licenses were prescribed for manufacturers, wholesalers, and other distributors of staple food products, including also importers, packers, canners, commission men, brokers, auctioneers, storage warehousemen, and retailers doing an an-

[1] Act of Congress approved August 10, 1917.

nual business in excess of $100,000. The smaller retailers were not placed under license but were subject to the provisions of the food law forbidding speculation, hoarding, and excessive profits and were also controlled indirectly through the licensing regulations governing wholesalers who were obligated to cut off all supplies to dealers who exacted exorbitant profits on the necessities of life. The licensed foods included beef, pork, mutton, fish, poultry, eggs, milk, butter, cheese, flour, sugar, cereals, lard, beans, peas, fruits, vegetables, several lines of canned goods, and other products. The penalty for operating without a license was a fine of five thousand dollars or two years' imprisonment.

The purposes of licensing were to encourage production, conserve supplies, and control the distribution of food products and fuel. These ends it was hoped would be accomplished by limiting the prices charged to a reasonable amount over expenses thus preventing speculative profits from a rising market, assisting the movement of all food commodities in a direct line from producer to consumer without delay, and keeping at a minimum the number of contracts for future delivery as well as dealings in future contracts.

By Presidential proclamation signed May 14, 1918, all individuals, partnerships, associations, and corporations, except those specifically exempted by the food control act, engaged in the importation, manufacture, storage, and distribution of tools, utensils, implements, machinery, and certain other farm equipment, were required to secure Federal licenses not later than June 20, 1918. In this way these dealers also were brought under Government control, inspection, and regulation as to profits, resales within the trade, attempts to monopolize, unreasonable increases of prices or restrictions of supplies, and willful waste of farm equipment.

Thus is indicated briefly the devices the Government had recourse to in order to control prices. That there was profiteering in spite of this Government policy cannot be denied but it is unquestionably also true that this profiteering was con-

siderably less than it would have been if the Government had not exercised such control. In its absence the unorganized, and for this reason defenceless, American consumer would have experienced the barbarous and disastrous effects upon his economic status of the manipulation of the law of supply and demand in the hands of those whose sole object is the maximum profit. Manufacturers generally would have taken advantage of the situation and there would have been a national orgy in a race among them to see which could pile up the greatest amount of profits. In a seller's market they would have demanded "all the traffic will bear"— would have exacted "the pound of flesh."

Even as it was the public consequences are proving far-reaching in their effects. Through the policy of the Government permitting increases in prices to manufacturers and producers equal to the increases in wages granted to meet the increase in cost of living, there was transferred to virtually all commodities increases in prices at least equal to the increase in cost of living as measured by food products. This in turn brought still greater pressure on the wage worker for he, too, is a consumer of these other commodities. And in this dual relation of the worker lies all the perplexities of the economic tendencies that have been characterized as "The Vicious Cycle."

# CHAPTER XVI

## THE VICIOUS CYCLE AND THE LABOR UNION

THE economics of increasing wages in proportion to the increase in the cost of living, as measured by the increase in food prices, and in turn of increasing prices of other commodities in proportion to these wage increases operated inevitably to produce "The Vicious Cycle" which has come to plague the Wilson Administration and the American people. This is evidenced by the predicament in which the Government found itself, following the Armistice, in consequence of the demands for higher wages of industrial workers in all lines of activity, and in particular of the organized railway employes, who were working directly for the Railroad Administration of the United States Government, and of the coal mine workers which resulted in the strike of November–December, 1919.

Those employed in railroad shops, including mechanics of all kinds such as toolmakers, boilermakers, riveters, blacksmiths, sheet metal workers, electricians, inspectors, car repairers, and helpers, had repeatedly made requests for increases in their wages to meet the increase in the cost of living, their specific demands being for a standardized hourly rate of eighty-five cents. Their wages at the time varied between fifty-eight and sixty-eight cents an hour. These requests had passed through all the stages already described [1] as having been provided for by the Railroad Administration for the settlement of labor disputes, even to the extent of involving a proposal to create an entirely new tribunal, and in August, 1919, had reached the Director-General and the President of the United

[1] Chapter IX.

States without a settlement and with the shopmen voting by ballot to go out on strike on September 2 to enforce their demands. Sporadic strikes, unauthorized by the national officers of the unions, had already taken place in various shops on different railroads. Other railway organizations, particularly the four brotherhoods whose members were engaged in the operation of trains, were also pressing their demands for wage increases. So serious, indeed, had the situation become that President Wilson on August 25, 1919, issued an appeal to the railway workers and a statement to the public.

In this appeal the President stressed the patriotism of the railway workers and stated that the primary step for reconstruction was to increase production and facilitate transportation, "so as to make up for the destruction wrought by the war, the terrible scarcities it created, and so as soon as possible relieve our people of the cruel burden of high prices." "The railways," he said, "are at the centre of this whole process." The appeal explained that the Government was approaching the conditions with the object of reducing the cost of living rather than, as during the war, of increasing wages so as to meet the increase in the cost of living. On this point the appeal said: "The Government has taken up with all its energy the task of bringing the profiteer to book, making the stocks of necessaries in the country available at lowered prices, stimulating production, and facilitating distribution, and very favorable results are already beginning to appear. There is reason to entertain the confident hope that substantial relief will result, and result in increasing measure. A general increase in the level of wages would check and might defeat all this at its very beginning. Such increases would inevitably raise, not lower, the cost of living. Manufacturers and producers of every sort would have innumerable additional pretexts for increasing profits and all efforts to discover and defeat profiteering [1] would be hopelessly confused. I believe that the

[1] The Federal Trade Commission had reported on profiteering to the President as early as June, 1918. This was in response to the direc-

present efforts to reduce the cost of living will be successful if no new elements of difficulty are thrown in the way, and I confidently count upon the men engaged in the service of the railways to assist, not obstruct. It is much more in their interest to do this than to insist upon wage increases which will undo everything the Government attempts."

The President added that if the efforts of the Government to bring the cost of living down should fail, after it had had time enough to establish either success or failure, "it will, of course, be necessary to accept the higher costs of living as a permanent basis of adjustment, and railway wages should be readjusted along with the rest. All that I am now urging is that we should not be guilty of the inexcusable inconsistency of making general increases in wages on the assumption that the present cost of living will be permanent at the very time that we are trying with great confidence to reduce the cost of living, and are able to say that it is actually beginning to fall."

In the statement to the public the President, among other things, said that while the increase in cost of living argument of the railway shopmen was indeed a potent one, their demands for increased wages, and all similar demands, were in effect this: "That we make increases in wages, which are likely to be permanent, in order to meet a temporary situation which will last nobody can certainly tell how long, but in all probability only for a limited time. Increases in wages will,

tion under Senate resolution No. 255 that the Commission furnish the Senate with any and all facts, figures, data, or information in its possession relative to profiteering which would in any way enable Congress to deal with the matter. In substance the Commission reported that the outstanding revelations were the heavy profit made by the low-cost concerns under a governmental fixed price for the whole country, by the meat packers and those allied with them, and by the flour millers, and the trade tendency to increase and maintain prices against the forces of competition. The Commission stated that it had reason to know that profiteering existed and that much of it was due to advantages taken of the necessities of the times, as evidenced in the war pressure for heavy production, and some of it to inordinate greed and bare-faced fraud.

moreover, certainly result in still further increasing the costs of production and, therefore, the cost of living, and we should only have to go through the same process again. Any substantial increase of wages in leading lines of industry at this time would utterly crush the general campaign which the Government is waging, with energy, with vigor, and substantial hope of success, to reduce the high cost of living. And the increases in the cost of transportation which would necessarily result from increases in the wages of railway employes would more certainly and more immediately have that effect than any other enhanced wage costs. Only by keeping the cost of production on its present level, by increasing production and by rigid economy and saving on the part of the people can we hope for large decreases in the burdensome cost of living which now weighs us down."

The fact that the railroads of the country were under direct Government control with an annual guaranteed return to the transportation corporations gave to the proposed wage increases not the ordinary aspect of possible effects upon the balance sheets of these corporations but that of determining the burden of taxation which must fall upon the people to the extent of such increases. "For it is neither wise nor feasible," said the President, "to take care of increases in the wages of railroad employes at this time by increases in freight rates. It is impossible at this time, until peace has come and normal conditions are restored, to estimate what the earning capacity of the railroads will be when ordinary conditions return. There is no certain basis, therefore, for calculating what the increases of freight rates should be, and it is necessary, for the time being at any rate, to take care of all increases in the wages of railroad employes through appropriations from the public treasury. In such circumstances, it seems clear to me, and I believe will seem clear to every thoughtful American, including the shopmen themselves when they have taken second thought, and to all wage earners of every kind, that we ought to postpone questions of this sort till normal conditions come

again and we have the opportunity for certain calculation as to the relation between wages and the cost of living."

To the President's appeal the officials of the railway employes' unions accorded compliance and again exhibited patience under aggravating circumstances. But in April, 1920, this patience of the rank and file broke under the economic pressure of even higher prices and resulted in a widespread two weeks' "outlaw" strike of members of these unions, so-called because they left their places of employment in disobedience of the instructions of their national officers. In the case of the coal mine workers the trend of events was quite different.

At the first convention of the United Mine Workers of America following the signing of the Armistice, held at Cleveland, Ohio, in September, 1919, this supreme authority of the mine employes adopted a resolution to the effect that the agreement then existing between the workers and the operators, now that the war was over, automatically expired, and that new contracts should be entered into not later than November 1, 1919. It formulated and expressed the principles that should govern its representatives in making a new agreement, these principles being a 60 per cent. increase in wages and the adoption of a six hour day and a five day week. This working time was not intended to reduce the number of working hours but on the contrary was designed to spread them more evenly throughout the year, the seasonal conditions of employment in the industry being such as to deprive the men of all work during certain months of the year. The mines on the average supplied work for not more than 225 days in the year and during those working days the miners must earn enough to support themselves and their families for the entire 365 days. At this convention there were nearly twenty-two hundred delegates from local unions in all the twenty-eight coal producing States, this being the largest attended convention in the history of the United Mine Workers. These delegates represented a paid up membership in the organization of 434,-

967; in their national treasury alone there was a fund of $1,728,000.

Reference has already been made[1] to the joint bargaining machinery existing between the miners and operators for the settlement of their differences as to wages and conditions of employment which, after the progress of more than a quarter of a century, had reached a high state of development, probably equal to that attained by the joint agreement between the railway train employes and the transportation corporations. This trade agreement machinery had operated to protect and advance the economic and social welfare of the coal miners of the country; it had also proven beneficial in many ways to the operators. Following the Cleveland convention, several months of "bargaining" in conferences with representatives of the operators failed, as was usually the case, to bring about an agreement between the two sides as to the provisions of a new contract. The best offer the operators would make was a 20 per cent. increase in wages. Finally, when it was evident that the joint bargaining machinery was in a deadlock and that progress in negotiations had become clogged thereby, the Secretary of Labor, under the provisions of the law empowering him to act as a conciliator, called representatives of the two parties into conference in Washington. This was in October, 1919. He suggested as a basis for settlement an increase in wages to mine employes of 31.6 per cent. This figure he arrived at by computing the increase in the cost of living after allowing for the increases in wages that had already been granted to mine workers.

At this point in the proceedings the Fuel Administration, which had been devised as a war emergency organism of the National Government but which had virtually ceased to function following the Armistice, was injected into the controversy. Through Fuel Administrator Harry A. Garfield, President of Williams College, opposition was made to the 31.6 per cent. proposal and insistence was placed instead upon an increase of

[1] Chapter XI.

only 14 per cent., the claim being advanced to support it that such an increase would enable the wages of the mine employes to keep pace with the increase in the cost of living. There followed differences of opinion between these departments of the Government which were thrashed out in Cabinet meetings. Unfortunately for the best interests of the public, President Wilson was still indisposed as the result of his physical breakdown on his tour of the country in behalf of the League of Nations. The Fuel Administration contended before the Cabinet that the question of wage increase to mine workers was within its jurisdiction and not that of the Department of Labor, inasmuch as the Administration had been entrusted by law with authority over coal prices and any change in wages to mine employes would naturally affect these prices. It opposed any increase in wages that meant an increase in the price of coal and maintained that a 14 per cent. increase in wages could be granted without increasing coal prices, this amount of increase to be absorbed from the profits of the operators. It expressed its belief that this would result in reasonable wages to the mine workers and a reasonable profit to the operators.

The Cabinet decided in favor of the Fuel Administration. The public by this time had got the impression that somebody on the part of the Government was muddling the whole affair, as the operators themselves had offered a 20 per cent. increase. The settlement proposed by the Fuel Administration and finally adopted by the Cabinet embodied the appointment by the President of a permanent consultative commission with purely advisory powers to examine wages and other coal mining data and announce conclusions but without authority to enforce its rulings upon either party to the controversy.

The representatives of the mine workers refused to accept the 14 per cent. increase in wages as a basis for a contract with the operators and in compliance with instructions of the convention which formulated the demands, they ordered on October 16 a strike of all soft coal mine workers, effective No-

vember 1. Those into whose hands fell temporarily the conduct of the Administration during the indisposition of President Wilson issued "a statement by the President" on October 25 reiterating commonplace sentences as to the public consequences of such a strike and urging the miners to continue at work "until a reasonable opportunity has been afforded for dealing with the cost of living." It characterized the proposed suspension of mining operations as being "not only unjustifiable, it is unlawful"; "a grave moral and legal wrong"; "a fundamental attack, which is wrong both morally and legally, upon the rights of society and upon the welfare of our country." In the statement both the national and local officers of the United Mine Workers were requested "to recall all orders looking to a strike on November 1, and to take whatever steps may be necessary to prevent any stoppage of work."

To this statement the officials of the miners' union replied to the effect that a strike of bituminous miners could not be avoided. "A regularly constituted convention of representatives of United Mine Workers," said the statement of the miners' officials, "ordered a strike of bituminous mine workers to become effective November 1 in the event a wage scale was not negotiated before that time. The highest authority of the organization has acted in this manner, and no representatives of the organization have authority to set such action aside. The facts are that the same supreme authority which ordered the pending strike is the same as that which approved the contract which has now expired.

"The fundamental causes which prompted the mine workers to take this drastic action are deep seated. For two years their wages have remained stationary. They appealed one year ago to the Federal Fuel Administrator, Dr. Garfield, and from him to the President of the United States, for an increase in wages sufficient to meet the increase in the cost of the necessaries of life. Their appeal was rejected and their request refused. Notwithstanding this, they continued mining coal until now their contract expires, when they are determined

that their grievances must be adjusted in a reasonably satisfactory manner.

"The courts have held that the workingmen have a right to strike and may quit work either singly or collectively for the purpose of redressing grievances and righting wrongs. The Constitution and the guarantees of this free government give men the right to work or quit work individually or collectively. The mine workers, therefore, are but exercising the right guaranteed by the Constitution and which cannot be taken away by the representatives of government when they quit work or when they refuse to work until their grievances are adjusted."

The attitude of the Government as represented by the Department of Justice was explained in a public statement by the newly appointed Attorney General. It had the effect of placing the Government in the position of the operators as opponents of the mine workers. This statement among other things said:

"The proposed strike was ordered in a manner, for a purpose and with a necessary effect, which taken together put it outside the pale of the law. . . . By enacting the food and fuel control act Congress has recognized the vital importance in the present circumstances of maintaining production and distribution of the necessaries of life, and has made it unlawful for any concerted action, agreement or arrangement to be made by two or more persons to limit the facilities of transportation and production, or to restrict the supply and distribution of fuel, or to aid or abet the doing of any act having this purpose or effect. Making a strike effective under the circumstances which I have described amounts to such concerted action or arrangement.

"It is the solemn duty of the Department of Justice to enforce this statute. We have enforced it in many cases. We must continue to do so irrespective of the persons involved in its violation. . . . The facts present a situation which challenges the supremacy of the law, and every resource of the

Government will be brought to bear to prevent the national disaster which would inevitably result from the cessation of mining operations."

In carrying out this policy the Department of Justice on November 8 sued out in the United States District Court at Indianapolis an injunction process to prevent the continuance of the strike. This mandate of the court restrained the officials of the United Mine Workers of America from in any way advising their membership on the situation, or contributing any of the moneys of the miners' union to assist the men on strike; it also restrained them from discussing, writing or entering into any kind of a conversation with their membership on the strike situation. The Department of Justice proceeded even further. It demanded from and the court issued an order commanding the officers of the miners' union to recall and withdraw the strike notification by six o'clock Tuesday, November 11.

Both the restraining order and the injunction, insofar as the prohibitory features are considered, were predicated upon the Lever Act of August 10, 1917, the temporary war measure referred to and which Congress enacted primarily for the purpose of preventing speculation and profiteering of the food and fuel supplies of the country. "There never was in the minds of the Congress in enacting that law or in the mind of the President when he signed it," says an official statement of the American Federation of Labor,[1] "that the Lever Act would be applied to workers in cases of strikes or lockouts. The food controller, Mr. Hoover, specifically so stated. Members of the committee having the bill in charge have in writing declared that it was not in the minds of the committee, and the then Attorney General, Mr. Gregory, gave assurance that the Government would not apply that law to the workers' efforts to obtain improved working conditions. Every assurance from the highest authority of our Government was given that the law would not be so applied." Nevertheless officials of the United Mine

[1] Issued under date of November 9, 1919.

Workers of America were required to give bond in the amount of $10,000 each on the charge of criminal contempt of court for alleged violation of the Federal courts' injunction, such charges being filed against eighty-four officers of the union.

On November 9 a specially called meeting of the executive council of the American Federation of Labor, representing 114 national and international unions and an individual membership of more than four million workers engaged in all the occupations throughout the country, took up consideration in a most serious attitude of mind the coal miners' strike and the action of the Government in relation to it. The policy of the Department of Justice was a stunning blow to the hopes of the workers, being so diametrically opposed to the harmonious working relations which had been established and which had continued all through the war. The attitude of organized labor as represented by this supreme advisory authority of the labor unions was expressed in an "appeal to the public" containing among other things the following:

"Never in the history of our country has any such mandatory order been obtained or even applied for by the Government or by any person, company or corporation.

"The autocratic action of our Government in these proceedings is of such a nature that it staggers the human mind. In a free country to conceive of a Government applying for and obtaining a restraining order prohibiting the officials of a labor organization from contributing their own money for the purpose of procuring food for women and children that might be starving, is something that when known will shock the sensibilities of man and will cause resentment. Surely the thousands of men who are lying in France, under the soil, whose blood was offered for the freedom of the world, never dreamed that so shortly afterward in their own country 450,000 workers endeavoring to better their working conditions, would have the Government decide that they were not entitled to the assistance of their fellow men and that their wives and children should starve, by order of the Government.

"It is a well-established principle that the inherent purpose of the injunction processes, where there is no other adequate remedy at law, was for the purpose of protecting property and

property rights only, thereby exercising the equity power of the courts to prevent immediate and irreparable injury. It was never intended and there is no warrant of the law in all our country to use the injunction power of equity courts to curtail personal rights or regulate personal relations. It was never intended to take the place of government by law by substituting personal and discretionary government. The Lever Act provides its own penalties for violators of its provisions. The injunction issued in this case has for its purpose not a trial by court and a jury, but an order of the court predicated upon the assumption that the law might be violated and by which the defendants may be brought before the court for contempt and without any trial by jury.

"We declare that the proceedings in this case are unwarranted, as they are unparalleled in the history of our country, and we declare that it is an injustice which not only the workers but all liberty-loving Americans will repudiate and demand redress. The citizenship of our country cannot afford to permit the establishment or maintenance of a principle which strikes at the very foundation of justice and freedom. To restore the confidence in the institutions of our country and the respect due the courts, this injunction should be withdrawn and the records cleansed from so outrageous a proceeding.

"By all the facts in the case the miners' strike is justified. We indorse it. We are convinced of the justice of the miners' cause. We pledge the miners the full support of the American Federation of Labor and appeal to the workers and the citizenship of our country to give like endorsement and aid to the men engaged in this momentous struggle."

With the statement that they were Americans and being Americans could not fight their Government, the officials of the United Mine Workers issued under protest on November 11 a formal order, upon the approval and in compliance with the mandate of the court, withdrawing and canceling the strike order of October 16. But the individual mine workers had become so aroused against the Government by what they believed to be the unjustifiable interference of the Department of Justice that they continued almost to a man to remain away from the mines, so that at the end of the week following the issuance of the order canceling the strike there was virtually

no improvement in the number of miners at work and in consequence no appreciable increase in the output of coal.

It was a blind alley into which the Department of Justice had misled the Government and the American people and out of which there was no graceful retreat, in fact, no escape at all except by retracing the way by which they were led into it. Four hundred and fifty thousand mine workers could not be put in jail, and even if this could be done it would not produce the coal for which by this time there was a most urgent and pressing demand.

There is evidence that at this juncture President Wilson himself entered into the situation to take it out of the hands of the amateurs who had only made bad matters worse. The officials of the United Mine Workers were called from their headquarters in Indianapolis to the National Capital and in conference on December 6 had submitted to them by the Secretary to the President and the Attorney General a proposal from the President which the officials at once accepted. This embodied, in addition to an immediate increase of 14 per cent. in wages, the appointment of a commission of three to be composed of one representative each of operators, miners, and the general public with full authority to investigate wages, profits, and all conditions surrounding the industry, with power to increase wages further if they so decided, and with equal power over the price of coal. The Fuel Administration was to be eliminated as a factor in prices and wages. Upon announcement of this agreement Fuel Administrator Garfield tendered his resignation which was accepted. The operators in a public statement announced that they had not been consulted and were not bound by the terms of any such agreement. But it was under these terms, after a strike that had continued for forty days, that the mine workers returned to their employments in the mines.

## CHAPTER XVII

### CAUSES AND EFFECTS OF THE VICIOUS CYCLE

THIS failure in the coal miners' strike of the Government as expressed in its court of law — this ineffectiveness of machinery embodying the highest expression of a free people's sovereign power — this employment by the Department of Justice of legal principles which the development of socialized production has made antiquated — this absence of proper and adequate institutional agencies for protecting and safeguarding the public welfare — all this is a tremendously serious matter to the American people. So also is the fact of 450,000 men, with families dependent upon them for the necessities of life, being compelled by the economic pressure of the high cost of living to cease the work by means of which alone they secure the money wages with which to purchase these necessities. When such events as these transpire in a society which boasts of its democracy then something has occurred which should startle the thinking members of that society into a painstaking examination of the practical workings of its boasted principles of democracy with the view of sounding the depths to discover what is amiss in the working out of those principles.

It is true the Wilson Administration, within the limitations of its authority, had put forth efforts months before the coal miners' strike to reduce the cost of living, after completely reversing its war-period policy of increasing wages to correspond with the increase in the cost of living and of increasing prices to compensate the producer for the increased wages. In a special message to Congress on August 8, 1919, the President recounted these efforts and suggested "effective legal

remedies" for Congress to supply by new legislation. The message explained the situation as follows:

"I have sought this opportunity to address you because it is clearly my duty to call your attention to the present cost of living and to urge upon you with all the persuasive force of which I am capable the legislative measures which would be most effective in controlling it and bringing it down. The prices the people of this country are paying for everything that it is necessary for them to use in order to live are not justified by a shortage in supply, either present or prospective, and are in many cases artificially and deliberately created by vicious practices which ought immediately to be checked by law. They constitute a burden upon us which is the more unbearable because we know that it is willfully imposed by those who have the power and that it can by vigorous public action be greatly lightened and made to square with the actual conditions of supply and demand. Some of the methods by which these prices are produced are already illegal, some of them criminal, and those who employ them will be energetically proceeded against; but others have not yet been brought under the law, and should be dealt with at once by legislation.

"I need not recite the particulars of this critical matter; the prices demanded and paid at the sources of supply, at the factory, in the food markets, at the shops, in the restaurants and hotels, alike in the city and in the village. They are familiar to you. They are the talk of every domestic circle and of every group of casual acquaintances even. It is matter of familiar knowledge, also, that a process has set in which is likely, unless something is done, to push prices and rents and the whole cost of living higher and yet higher, in a vicious cycle to which there is no logical or natural end. With the increase in the prices of the necessaries of life come demands for increases in wages—demands which are justified if there be no other means of enabling men to live. Upon the increase of wages there follows close an increase in the price of the products whose producers have been accorded the increase — not a proportionate increase, for the manufacturer does not content himself with that, but an increase considerably greater than the added wage cost and for which the added wage cost is oftentimes hardly more than an excuse. The laborers who do not get an increase in pay when they demand it are likely to strike, and the strike only

makes matters worse. It checks production, if it affects the railways it prevents distribution and strips the markets, so that there is presently nothing to buy, and there is another excessive addition to prices resulting from the scarcity."

Among the recommendations of the President for Congressional action was the appropriation of funds to specified Government departments and commissions for the collection and making public to consumers of facts as to the supply and prices; the extension of the Food Control Act both as to the period of time during which it should remain in operation and as to the commodities to which it applied; the providing of a penalty for profiteering; the regulation of cold storage; requiring that all goods destined for interstate commerce be plainly marked with the price at which they left the producer; the licensing of all corporations engaged in interstate commerce; and the controlling of security issues.

In his regular message to Congress on December 2, 1919, President Wilson again called the attention of that body to "the widespread condition of political restlessness in our body politics," and stated as one of its contributing causes the "heartless profiteering resulting in the increase of the cost of living." He renewed his recommendations of August 8 for "legislative measures which would be effective in controlling and bringing down the present cost of living."

Upon only one of these recommendations had Congress taken action; it had not even provided a legal penalty for profiteering. Thus is reflected the failure of another of the agencies of the people's Government — of their Congress — to provide adequately for the distressing situation, assuming that the remedies proposed by the President would have safeguarded the public welfare which was being gravely menaced.

The Wilson Administration did conscientiously strive, in a number of ways, such as investigations and prosecutions through its Department of Justice, to bring down the high prices but the feeble efforts its lack of proper organization for

the purpose enabled it to put forth, in opposition to the more powerfully organized self-interest of producers and sellers, could not be other than unsuccessful. The Government was not prepared for controlling the economic self-interest of producers in a sellers' market — of limiting the effects of the ever-widening circles of increasing prices which radiated out in all directions from the center of increases in food prices. This economic self-interest operated to produce an effect somewhat similar to that which results from throwing a pebble into the still waters of the lake, the first circle ensuing being analogous to the increase in the price of food. Some of the effects of these circles of increasing prices have their significance.

"New York, Nov. 27.— Profits several times in excess of the entire capital invested came back to many coal operators in 1917, William G. McAdoo, formerly secretary of the treasury, declared in a further statement[1] tonight relative to the coal controversy. The statement follows:

"'The coal operators assert that I gave out confidential information when I stated that profits of the mine owners in 1917 ranged from 15 to 2000 per cent. on capital stock before deduction of taxes. This was not confidential information. The Treasury Department may publish statistical matter of this character any time. In fact, information concerning this very subject was furnished by me to the United States Senate in response to a resolution introduced by Senator Borah concerning profiteering and was published July 5, 1918. In this report the returns of several hundred coal companies showed profits ranging from 15 to 800 per cent. on their invested capital in 1917. The range of profits was higher on capital stock. In short, many coal operators got back their entire invested capital several times out of their profits in 1917, as shown by the reports, and must now be on velvet.'"[2]

"In 1917 all bituminous coal mines east of the Mississippi River made what might be termed fabulous profits, the general

[1] On November 26 Mr. McAdoo had issued a statement to the public in which he charged the coal operators with making "shocking and indefensible profits in 1917."

[2] Associated Press dispatch in "Philadelphia Public Ledger," Nov. 28, 1919.

average being from 100 to 150 per cent. on invested capital, the range being from 15 to 800 per cent." [1]

"The directors of the American Car and Foundry Company yesterday declared a quarterly dividend of 3 per cent. on the common shares. Three months ago the declaration on the common was 2 per cent., so that the stock is now on a 12 per cent. annual basis instead of 8 per cent. The directors increased the reserve for common stock dividends from $7,200,000 to $10,800,000, this to be paid when and as declared by the directors. The latter amount provides funds for dividends at 12 per cent. over a period of about three years." [2]

"The annual report of the American Locomotive Company for the fiscal year ended June 30, shows earnings which have never been surpassed in the history of the company. The gross earnings amounted to $108,923,524, an increase of approximately $28,000,000 over the gross earnings in the previous report. After all charges, taxes, and preferred dividends there was a balance available for the common stock of $10,262,567, or the equivalent of $41.05 on the 250,000 shares outstanding. The previous peak for earnings was shown in the report for the year ended in June, 1916, when there was $9,019,429, or $36.08 a share for the common stock." [2]

"Of all textile prices, the advances in cotton yarns are in a class by themselves. Such advantage has been taken of the dearth of cotton yarns that prices, especially for the finer counts, are stupidly high and excite resentment. The profiteering landlord who boosts rents 150 per cent. has a heart compared with the cotton yarn spinner whose prices range from four and a half to seven times what they were in 1915. Any attempt to justify present yarn prices on a basis of fair profit to the mill and decent regard for living costs to the public, must explain away the 100 per cent. stock dividends declared by spinning mills and the statements of profits issued by several groups on the flotation of additional stock to increase control of this business. . . . A necessary part of our reconstruction is a rebellion against grossly excessive profits. It

[1] Statement by Secretary of the Treasury Carter H. Glass, Nov. 26, 1919.

[2] "New York Times," October 5, 1919.

will occur when the public learns who are making them and refuses to pay tribute which is unjust and dishonorable." [1]

"The American Woolen Company yesterday issued the best annual report in its history, the net profits for 1919 amounting to $15,513,415 after making provision for Federal taxes. In 1918 the net profits were $12,324,084. The net profits of 1918 were slightly higher than those reported in the present statement but in that year no allowance was made for Federal taxes. After all charges there was a surplus available for dividends last year of $10,779,804, or the equivalent of $39.89 a share on the common stock, after making allowance for the preferred distribution. . . . The surplus of the company now stands at $31,754,427." [2]

"The United States Steel Corporation in its report for the first quarter of this year, issued yesterday, shows net earnings of $42,089,019, a total greater than for any quarter of 1919. Not since the third quarter of 1918 has the corporation been able to present such an excellent record. . . . The record of earnings was considered by many as one of the most remarkable ever put out by the corporation. . . . It had been expected by some that the corporation would resume extra dividend payments at this time, provided earnings seemed to warrant such disbursements. The surplus after dividends would have permitted a large extra declaration, but the surplus earnings went into the corporation's already well stocked reserve fund." [3]

"A reflection of the activity which prevailed in the automobile industry during the first six months of this year is found in the half yearly report of the General Motors Corporation. The net profits amounted to $48,900,800, or nearly double the amount reported for the corresponding period of last year. The surplus for the six months of this year after dividends was $20,283,508 as compared with a surplus of $6,098,825 for the first six months of last year. The surplus for the present half

[1] Public Ledger report of an address by Mr. Lincoln Cromwell, of William Iselin & Company and in charge during the war of knit goods buying for the War Department and of knitting mill production for the War Industries Board, made before the sixteenth annual convention of the National Association of Hosiery and Underwear Manufacturers in Philadelphia, April 27, 1920.

[2] "New York Times," April 28, 1920.

[3] *Ibid.*, April 28, 1920.

year is just about the equivalent of the total surplus of the company on June 30, 1918. The total surplus now stands at $53,692,445." [1]

"The preliminary report of the American Telephone and Telegraph Company for the year ended December 31, 1919, shows a net income available for dividends of $44,377,865, this being the equivalent of $10.04 a share earned on the capital stock. In the report of the preceding year the net income was $43,901,324 or $9.93 a share. The total income of $70,461,130 is an increase of approximately $9,400,000 over that of 1918. Net earnings show a gain over the preceding year. They amounted to $60,225,461, as compared with $54,293,016 a year ago. In 1916 the net earnings were $44,743,376 and in 1917 they amounted to $48,940,466." [2]

"From December 31, 1914, to December 31, 1918, one hundred and four industrial companies, after heavy expenditures for new construction and acquisitions and record-breaking dividends, added a total of nearly $2,000,000,000 to working capital. Practically all this increase came from surplus earnings. Although these corporations represent only a small part of the great industrial wealth of the United States, they give a good idea of the country's tremendous expansion in values from the beginning to the end of the war. Nearly all lines of trade and industry prospered during the war." [3]

Similar reports of unprecedentedly large earnings accompanying the increase in the cost of living, which earnings were distributed to stockholders in dividends of various kinds and added to surplus funds of the corporations, were also made by virtually every corporation dealing in the commodities which enter into the necessities of the daily life of the American people. Meats, sugar, flour, tobacco, shoes, copper — these and all the other articles of daily consumption also bore their

[1] "New York Times," October 5, 1919.

[2] "New York Times," January 15, 1920.

[3] "Christian Science Monitor," September 8, 1919. See also testimony submitted by Mr. W. Jett Lauck before the Railroad Labor Board in behalf of the demands of railway employes for higher wages, May, 1920.

share of the tribute that went to increase the cost of living to the workers. Does not this suggest that something is amiss with the working out of the principles of American democracy? Did not our soldiers go all the way to France to overthrow Prussian autocracy?

But these brief references to the financial reports of corporations showing the huge profits they exacted through their control of the price machinery of the high cost of living reflect only one side of the picture of the effects of extortionate prices. Let us take a brief glance also at the reverse side.

Within nine months of the signing of the Armistice by Germany the five leading headlines to news articles or "stories" on the front page of the "New York Times" were the following:

B. R. T.[1] AGAIN SHUTS DOWN; HYLAN[2] INTERVENES FOR UNION. CAR STRIKERS DEFY POLICE. DRAG CREWS FROM POSTS DESPITE BLUECOATS ORDERED TO GUARD THEM. MAYOR APPEALS TO COURTS BUT FEDERAL JUDGE REFUSES TO COMPEL RECEIVER TO DEAL WITH LEADERS. ASSERT 9000 MEN ARE OUT. COMPANY AGAIN ABANDONS SERVICE AT NIGHT, BUT PROMISES TO RESUME THIS MORNING.

ACTORS STRIKE, SENDING 12 BROADWAY AUDIENCES HOME. 100 LEADING PLAYERS OUT. MANAGERS GET NOTICE OF FROM FIVE MINUTES TO HALF AN HOUR. ALL THE HOUSES FILLED. PATRONS SPEND HOURS COLLECTING ON REFUND CHECKS AT BOX OFFICES. MORE SHOWS MAY BE HIT. EQUITY ASSOCIATION EXPECTED TO ATTACK VAUDEVILLE, BURLESQUE, AND MOVIE HOUSES.

WILSON[3] URGES 80,000 RAILWAY SHOPMEN TO RETURN TO WORK. WILSON ASKS HINES[4] TO ACT. SAYS RAILROAD DIRECTOR HAS POWER TO PASS ON SHOPMEN'S WAGES. BUT DEMANDS STRIKE STOP. ASSERTS WORKERS THEMSELVES BLOCK POSSIBILITY OF SOLVING HIGH COST OF LIVING. CUMMINS[5] FREES PRESIDENT,

[1] Brooklyn Rapid Transit Company.
[2] Mayor of Greater New York including Brooklyn.
[3] President of the United States.
[4] Director General United States Railroad Administration.
[5] Chairman Interstate Commerce Committee, United States Senate.

INFORMS EXECUTIVE CONGRESS HAS ALREADY GIVEN HIM FULL AUTHORITY IN RAILROAD MATTERS.

LAHEY TO CHECK STRIKE VIOLENCE. DEPUTY POLICE COMMISSIONER ASSUMES CHARGE AND PROMISES STERN MEASURES. DISORDERS HALT SUDDENLY. MOTOR TRUCKS READY TO QUELL RIOTS — 100 MANHATTAN DETECTIVES WILL AID.

SHOPMEN STRIKE ON THE NEW HAVEN. WALKOUT OF 7000 WORKERS RESULTS IN CURTAILMENT OF PASSENGER SERVICE. AFFECTS WHOLE SYSTEM. CONTINUED SPREAD OF STRIKE IN THE WEST BRINGS FREIGHT EMBARGOES ON MANY ROADS.

The daily newspaper may properly be regarded as a mirror of current events, in its more or less accurate accounts reflecting the important problems in the life of the American people which are the mainspring of their thoughts and which agitate them to action. From all over the United States the news of these events is carried each day by the telegraph wires into the office of the newspaper to the desk of the news editor whose trained mind separates out the more important events and directs their display on the front page. Thus the front page of the newspaper serves as a barometer for measuring the relative importance of the day's happenings. With the front page given up to strike activities and their issues flowing out of the high cost of living is there not evidence that something is amiss in the working out of the principles of democracy in America?

The same issue of "The New York Times" contained news accounts of municipal policemen in labor unions affiliating with the American Federation of Labor; as to the request of postal employes of the United States Government for a 50 per cent. increase in pay; as to the threat of white labor union employes in the Chicago stock yards to strike if special police and militia on guard to quell further race riots against imported non-union negroes were not withdrawn; and as to the effects on the cost of living of surplus products in storage warehouses and the activities of city and State officials against profiteers in relation thereto. In the same issue the leading editorial

discussed the proposal of the organized railway employes for the nationalization of the railroads of the United States and the attitude of the president of the American Federation of Labor in accepting the honorary presidency of the League organized to further the nationalization plan. Another editorial discussed "The Police in the Strike," and still another "Let No Guilty Profiteer Escape." On the editorial page was also a communication from a correspondent on "Railroad Profit Sharing." This is but one day's summary from one of our leading newspapers of the news events that have to do with various aspects of the labor problem which the increase in the cost of living had made most acute.

For the single month of August, 1919, these news events included a strike in the silk mills of Paterson, New Jersey; in machine shops at Waterloo, Iowa; among the men who man the fishing boats that daily go out to sea from the harbor of Boston; by shopmen of the New York Central at Depew, New York, of the Baltimore and Ohio at Cumberland, Maryland, and of the Chicago, Burlington and Quincy at Havelock, Nebraska; of employes of the Standard Steel Car Company at Hammond, Indiana; motormen and conductors of the New York, Westchester and Boston Railway, a subsidiary company of the New Haven system; of employes of the Pittsburgh Railways Company at Pittsburgh, Pennsylvania; of trainmen, enginemen, yardmen, and allied crafts in shops of the Southern Pacific, the Atchison, Topeka and Santa Fe and the other steam railroads entering Los Angeles, California; of employes at Los Angeles of the Pacific Electric, an interurban railway system of southern California, and of the Southern Public Utilities Company in Charlotte, North Carolina. In New York City alone in the month of August there were strikes of conductors and motormen of the Interborough Rapid Transit Company and of the Brooklyn Rapid Transit Company; of stagehands, musicians, actors and actresses; of employes of the Brooklyn Union Gas Company; of waiters in lunch rooms

and small restaurants all over the city; of employes of bakeries; of cigarmakers; of workers in ladies' tailoring factories; of window cleaners; of numerous crafts engaged in the construction of buildings, and so on.

At the same time these and other strikes were in progress, the 500,000 members of the various crafts employed in the steam railroad shops of the country were voting in favor of a strike beginning September 2 in the event their demands for increased wages with which to meet the increase in cost of living were refused by the Railroad Administration of the Federal Government. A strike vote was also being taken by the maintenance of way employes on the American railroads. Officials of other railway organizations representing more than 1,500,000 employes were submitting to the Director General of the Railroad Administration demands for wage increases equal at least to the increase in the cost of living. A nation-wide strike of the workers in the iron and steel mills of the country had been voted to become effective August 30, and it was only being delayed until the outcome of attempts on the part of union leaders to secure conferences with officials of the United States Steel Corporation. Twenty-four separate organizations of steel and iron mill employes were involved in this movement affecting approximately 370,000 men.

Among the hundreds of thousands of other workers who in August, 1919, were formulating demands with the possibility of strikes to enforce them were cigar store clerks in New York City, members of the Order of Railroad Telegraphers, involving practically every railroad in the United States and Canada; clerks in drug stores in New York City; civil service clerks in the New York City and county offices; postal employes of the United States Government in all parts of the country; policemen in the National Capital and other cities.

And all this, too, with political autocracy as represented by the Imperial German Government prostrate across the sea largely in consequence of America's efforts "to make the

world safe for democracy"! That very same powerful Government had failed at home to protect its wage workers from the effects of the "Vicious Cycle"! The capitalist-producer and seller was in the saddle and he was applying the spurs to the wage-worker consumer.

## CHAPTER XVIII

### THE VICIOUS CYCLE, STRIKES, AND THE CONSUMER

IF the wage workers were the only members of our democracy injuriously affected by the increase in the cost of living and by the inability, or at least the failure, of the Government to protect and safeguard the economic welfare of its people, the situation would still be serious but not so much so as it is when millions of other consumers are also similarly affected. For the great outstanding fact is that the unprecedented rise in the cost of living during and following the war and the strikes of the wage worker to protect himself against its effects, have been and continue to be a grievous burden upon the numerous members of another class of citizens — the class that is solely dependent for the necessaries of life upon annual salaries ranging from fifteen hundred to ten thousand dollars.

In only exceptional cases have these citizens been able to increase their salary income to meet the increase in the cost of living. They have had to draw upon their insurance and other savings, in many cases the wife and children "went out to work," educational and other advantages have had to be withheld from the children, and in scores of like sacrifices the standard of living has been lowered. And when the standard of living of "the great middle class" is thus affected there remains no longer any doubt whatever as to something being amiss in the working out in the United States of the principles of democracy.

Upon the citizens comprising this middle class — citizens who are neither wage workers in the customary use of that term nor capitalist-producers — has fallen virtually the entire economic burden of the costly war. Members of all the pro-

fessional classes, such as lawyers, physicians, dentists, clergymen, editors and reporters, engineers, school teachers and college and university professors; city, county, State, and Federal employes, and other innumerable salaried workers of all kinds who have very little if any control over increasing the amount of their money income, have found each month the money compensation for their services purchasing less and less of the necessaries of life as the prices of these rose higher and ever higher. With the amount of their money salary remaining stationary, the constantly increasing prices as constantly decreased their real salary as measured in terms of food, clothing, and shelter.

Agitations in consequence sprang up all over the country for increased pay to policemen, firemen, public school teachers, and other Government employes; in colleges and universities "drives" were inaugurated to secure funds with which to increase the salaries of professors; religious denominations started movements to secure "endowment funds" for increasing the salaries of ministers of the gospel. So great was the economic pressure that in some communities school teachers, and also college professors, organized themselves into unions and applied for charters of affiliation with the American Federation of Labor. Congress found it necessary to increase to the extent of a bonus of $240 a year the salaries of clerical employes in the District of Columbia receiving less than $2500 a year, and appointed a commission to adjust the classification and pay of all Federal employes in the District. Congress also voted increases in pay to postal and other Government employes. These were reflected in increased taxes which in turn increased the prices of commodities. So the "Vicious Cycle" kept on cycling.

In warding off the attacks of increasing prices upon their standard of living policemen, firemen, letter carriers and other postal employes, clerical workers of all kinds, and that whole catagory of citizens in the service of city, county, State, and National governments were forced to complain. Unorganized,

at first they were helpless and their appeals and protests went unheeded; some formed unions and applied to the American Federation of Labor for charters, at the same time formulating demands for salary increases at least equal to the increase in the cost of living. In the National Capital, even policemen organized themselves into a union and appealed to the American Federation of Labor for its support of their demands for an increase in their pay. The District of Columbia Commissioners ordered the policemen who were members of the union to renounce affiliation with the Federation on pain of trial for insubordination. By September, 1919, policemen in as many as thirty different cities scattered over the country had similarly organized into labor unions and had become affiliated with the Federation. In Boston about twelve hundred members of the Policemen's Union of that city actually went out on strike on September 9, and for two days the city was given over to rowdyism and rioting until State militia ordered out by the Governor of Massachusetts restored order. The immediate cause of the strike was the disciplining of policemen for joining the union contrary to orders of the Police Commissioner, but the real cause was protest by the policemen against the delay in increasing their pay to meet the increase in the cost of living.

Not only has the consumer other than the wage worker been affected seriously in his economic interests by the increase in the cost of living which affects the wage worker, but the consumers' economic welfare has also been disadvantageously injured by the efforts the wage worker has been compelled to exert by means of the strike in order to protect his wage standard. How grievously the consumers' economic interest suffers by the limitation of output and all the other causes of price increases resulting from these suspensions of production can be indicated, in the absence of more complete information, from reports of the Bureau of Labor Statistics.[1] These show

[1] "Monthly Labor Review," Department of Labor, United States Government.

the number of strikes and lockouts, their duration, the number of workers involved, the industries and occupations affected, the specific causes which brought them about, and the States in which they occurred.

A strike is where several or more employes collectively refuse to continue at work unless the employer complies with their specific demands. A lockout is where the employer refuses to allow several or more employes to continue at work except under specified conditions determined by the employer. Neither a strike nor a lockout includes those innumerable cases in which a single employe without cooperation with others voluntarily ceases work or is refused continued employment and in which there is dissatisfaction on one side or the other. These instances, while they involve the principles of a strike or lockout in that there is disagreement as to the conditions of employment or with the employes' services, and to this extent may be looked upon as an "individual strike" or "lockout," still these are usually considered under what is termed in industry as "labor turnover."

Here is the summarized record as to the number of strikes and lockouts each year for the past four years:

FOUR YEARS OF STRIKES AND LOCKOUTS

| | No. of Strikes | No. of Lockouts | Total |
|---|---|---|---|
| 1919 | 3,253 | 121 | 3,374 |
| 1918 | 3,232 | 105 | 3,337 |
| 1917 | 4,324 | 126 | 4,450 |
| 1916 | 3,681 | 108 | 3,789 |

The duration of these strikes and lockouts in 1919 totaled as many as 60,070 days; in 1918, 29,895 days; in 1917, 26,981 days and in 1916, 49,680 days. As a general statement, lockouts continue on the average a longer number of days than strikes.

These statistics are not in the slightest degree indicative of the amount of working time actually lost to production, as they

do not take into consideration the number of workers involved. For illustration, on this latter basis in New York State alone in 1918 fifty-six strikes in the metal, machines, and conveyances trades, involving 29,870 workers, resulted in the loss to production of 890,636 working days. Three strikes in the shipbuilding industry, in which 10,250 men participated, caused a loss of 720,950 days' time. A strike of two thousand shoe cutters at Long Island City before it was terminated totaled a loss in working time of 100,000 days; eight strikes in the leather and rubber goods trades, involving 4,167 workers, resulted in a loss of 159,433 days of working time. In the food, liquor, and tobacco group of industries twenty-seven strikes affecting directly 10,091 workers caused a loss of 147,088 days' time. In the clothing and millinery trades alone in New York the loss of working time from strikes was 578,644 days in 1917, the huge total of 7,124,366 days in 1916, a total of 314,328 days in 1915, and 152,812 days in 1914. In addition there was loss in working time by other workers indirectly affected by these strikes.

Complete records are not available for the total number of workers involved in all these strikes and lockouts. In 74 per cent. of the disturbances in 1919 as many as 4,112,507 persons were directly affected; in 64 per cent. of the cases in 1918 workers to the number of 1,239,989 were involved; in 52 per cent. of the strikes and lockouts in 1917 a total of 1,227,254 men and women were participants; and in 70 per cent. of the cases in 1916 there were involved 1,599,917 workers. If the average number of individuals taking a direct part in strikes and lockouts as determined by these statistics holds good, and there is no reason why this assumption is not plausible, then in 1919 the number of persons involved directly exceeded 5,000,000; in the preceding year 1,858,000; in 1917, 2,120,000; and in 1916 more than 2,207,000.

This cessation of employment through strikes and lockouts of millions of toilers simply means an interruption to continuous production which results in an appalling limitation on

output, and this in turn effects a continuance of high prices or an increase in prices. As a decrease in the supply of commodities in relation to demand has an important influence on prices, other economic factors remaining the same, such limitation of supply by strikes and lockouts is extremely injurious to the economic interests of the consumer and, as the wage worker is a consumer, ultimately to those of the worker himself. The consumer pays the bill — sooner or later he has to meet all this enormous cost of these industrial disturbances. This cost is so great as to be beyond computation — it runs up each year into the millions and hundreds of thousands of millions of dollars. In one sense of the word the effect is virtually the same as it would be if an amount of goods equal to the quantity that would have been produced during the continuance of the strike was assembled and a match applied resulting in its complete destruction.

The economic effects of these strikes and lockouts are nation-wide, notwithstanding the larger number take place in the eastern industrial centers. This is true for the simple reason that under modern conditions of distribution commodities manufactured in, say, Massachusetts and New York, are consumed in, say, California and Oregon; goods produced on the Pacific Coast are consumed on the Atlantic. The geographical concentration of strikes and lockouts is indicated in the statement that 58 per cent. of the total number in 1919, 60 per cent. of those in 1918, 56 per cent. in 1917, and 72 per cent. in 1916 occurred in the seven States, New York, Pennsylvania, New Jersey, Massachusetts, Connecticut, Ohio, and Illinois.

As to the industries affected, the largest number of strikes and lockouts took place in the metal trades, in mining, in the building trades, clothing industries, textile industries, and transportation, these six groups of industries comprising more than one-half of all the industrial disturbances in each of the four years from 1916 to 1919. Other leading industries seriously affected were iron and steel, lumber, furniture, meat cutting, paper manufacturing, printing and publishing, ship-

building, stone-work, and tobacco. Grouped according to the occupation of the workers directly involved, as measured by the number of men affected, the strikes were principally among coal miners, machinists, molders, teamsters, carpenters, longshoremen, bakers, building laborers, freight handlers, painters, plumbers and steamfitters, street railway employes, and tailors.

The important strikes and lockouts in 1919 were those of the 435,000 bituminous coal miners, the 367,000 iron and steel workers, the 250,000 railroad shop employes, the 125,000 building trades' workers of New York City, the lockout of the 115,000 members of the building trades of Chicago, the 100,000 shipyard workers of New York City and vicinity, the 100,000 longshoremen at the Atlantic Coast ports, the 65,000 employes of the Chicago stockyards, and the general strike in Tacoma and Seattle in sympathy with the strike of the 60,000 members of the metal trades of those cities. These nine strikes alone involved more than 1,600,000 individuals.

In 1918 the more important strikes were those of the tailors in New York City; employes in the textile industry in New Hampshire, Rhode Island, and Philadelphia; among the garment workers in Chicago; in the paper mills of northern New York; the cigar makers of New York City and St. Louis; on the trolley systems of Buffalo, Kansas City, and St. Louis; the molders and teamsters of Chicago; the retail clerks of St. Louis; the separate strikes of pressmen, waiters, and subway laborers in New York City; the strikes at the General Electric plants; and the general strike in Kansas City. In 1917 the important strikes were in the oil fields of Louisiana and Texas; on the telephone systems in Arkansas and the Pacific northwest; in the packing houses in St. Louis and Omaha; among the sugar-cane workers in Porto Rico; in the sugar refineries in New York and Philadelphia; among the potters in Ohio and New Jersey; in the silk mills in Hoboken, New Jersey, and vicinity; in the iron and steel industry in Pittsburgh; among the cigar makers in Porto Rico and New York

City; hatters in Danbury, Connecticut; shoemakers in New York City; in the various clothing industries in New York City, Philadelphia, and Chicago; in the lumber industry of the northwest; and the general strikes in Minneapolis and St. Paul.

Considered from the point of view of the specific causes of these strikes and lockouts the facts disclose that by far the larger number were the result of demand on the part of the workers for increases in wages, which demand was quite frequently coupled with others as to changes or improvements in conditions of employment, such as a reduction in the hours of work. For the four years under review, the other causes in the order of their importance as measured by the number of strikes and lockouts, were "recognition of the union," discharge of employes, "recognition" and wages, and a decrease of hours of work. Other causes were the employment of non-union men, conditions of employment, disputes over the terms of the wage agreement, sympathetic strikes, trade union jurisdictional controversies between two or more unions, discharge of foreman demanded, non-payment of wages, decrease in wages, and against an increase in the hours of work.

There is still another very important aspect of these strikes and lockouts in their effects upon the economic interests of the consumer besides their enormous direct and indirect loss in production. This is illustrated in the case of the strike of the bituminous coal miners in November–December, 1919 It will be recalled that this strike was ordered at the beginning of winter, at which time the demand for fuel is greatest, with virtually no mined surplus on hand because of the war, demands having been so great as to consume the coal almost as fast as it could be mined. In consequence of this situation, at the very beginning of the strike, with production less than 50 per cent. of normal, the consumer was made to feel the effects of this cutting off of the fuel supply.

The Fuel Administration, hastily recalled by the threatening conditions to the exercise of its far-reaching war powers, put into effect over the entire country the most drastic restrictions

on the use of bituminous coal for lighting and heating purposes — restrictions that were even more severe than those imposed by it in the unprecedentedly cold winter of 1917–18. These restrictions prohibited ornamental lights, "white way" and other unnecessary street lights, outline lighting, electric signs, illuminated billboards, and show window and show case lights. Cabarets, dance halls, pool rooms, and bowling alleys were permitted to use light only between 7 P. M. and 11 P. M. All stores, excepting those selling food, and warehouses could not use other than safety lights except for six hours a day, and manufacturing plants only during the time prescribed for the use of power. Drug stores and restaurants were required to reduce lighting one-half. General and office lights had to be cut off not later than 4 P. M. in office buildings, except necessary Federal, State, and municipal offices and except where office operation of vital industries was involved. Only enough heat was permitted in offices, stores, warehouses, and manufacturing plants to keep the average temperature at 68 degrees Fahrenheit, and then only during the hours for which light was permitted. During other hours only enough heat was to be used to prevent the freezing of water pipes or sprinkler systems.

A coal famine in many communities became a distressing reality. The Railroad Administration was compelled to curtail passenger service on steam railroads to a greater extent than was ever known before, it being estimated that 200,000 train miles a day were eliminated; it placed embargoes on the movement of fuel oil out of the West; it reduced the amount of coal permitted to go to coking ovens; it confiscated shipments of coal and caused their distribution at points of greatest need. Half time working schedules were made effective in industries generally; retail stores in the large cities opened at noon and closed at six o'clock; hours of work for government employes were reduced; school houses, churches, movies, theatres, and like public places were limited in the amount of coal and in cases were closed completely. In some States, such

as Missouri, Oklahoma, and Kansas, the Governors ordered the seizure of coal mines by the State and volunteers went into the mines and dug coal in order to meet the necessities of hospitals and like pressing public needs.

A conference of Governors of seven of the soft coal producing States held in Chicago November 30 appealed to the Federal Government for an equitable distribution of the coal supply in stock "among the forty-eight States on the basis of their needs as developed during the war regardless of the State where mined"; also for the immediate establishing, promulgating, and enforcing of "rigid and uniform rules and regulations for the greatest conservation of coal throughout the Union."

In brief, all that came about which was foreseen in the President's statement to the public on October 25 when it said, referring to the refusal of the miners' leaders to call off the strike:

"This is one of the gravest steps ever proposed in this country affecting the economic welfare and the domestic comfort and health of the people. It is recognized that the strike would practically shut off the country's supply of its principal fuel at a time when interference with that supply is calculated to create a disastrous fuel famine. All interests would be affected alike by a strike of this character, and its victims would be not the rich only, but the poor and needy as well, those least able to provide in advance a fuel supply for domestic use. It would involve the shutting down of countless industries and the throwing out of employment of a large part of the workers of the country. It would involve stopping the operation of railroads, electric light and gas plants, street railway lines and other public utilities, and the shipping to and from this country, thus preventing our giving aid to the allied countries with supplies which they so seriously need. . . . From whatever angle the subject may be viewed, it is apparent that such a strike in such circumstances would be the most far-reaching plan ever presented in this country to limit the facilities of production and distribution of a necessity of life and thus indirectly to restrict the production and distribution of all the necessaries of life."

As another illustration of the effects of strikes on the consumer let us select one more localized in its immediate consequences — that of the employes of the Interborough Rapid Transit Company of New York City on its elevated and subway systems of transportation on Manhattan Island. The charge was made in the press by Mayor Hylan of Greater New York that this strike was called by the "company union" in collusion with officials of the corporation primarily for the purpose of forcing an eight cent in place of the five cent fare.[1] The City of New York owns the subway lines which are leased to the Interborough. The situation was complicated by a contest between two different labor organizations for jurisdiction over the employes. The strike was precipitated August 16, 1919, and the demands of the workers were for a 50 per cent. increase in wages, a forty-eight hour working week, and time and one-half payment for over-time work. It was settled by an increase of 25 per cent. in wages and agreement to submit the question of a further increase and the other demands to arbitration.

For as long as forty-eight hours the operation of the two subway and the four elevated lines were at a complete standstill notwithstanding efforts to settle the controversy that were put forth by the Mayor of the city, the Public Service Commission, and the Governor of the State. Some of the effects

[1] Following the settlement of the strike Mayor Hylan issued a statement to the public in which he said: "As Mayor of the City of New York I am more than pleased and gratified that the lockout perpetrated by the Interborough officials and their unions against the people of the city has been settled. . . . As each hour of the lockout against the people continued it became more apparent to the general public that there was an understanding between the self-organized heads of the Interborough's unions and certain officials of the company. I trust the District Attorney of this county will continue his probe into the questions leading up to the lockout, so that in the future the traveling public of our city cannot be subjected to so great inconvenience at the will of a transit corporation which seeks to extort and whose sole purpose is to filch from the pockets of the public an increased fare."—"New York Times," August 19, 1919.

upon the consumer are indicated in the "New York Times'" account of the occurrence.[1]

"Cessation of travel in the Interborough subways and on the elevated lines, on which more than 2,000,000 passengers are carried daily, caused a congestion of vehicular traffic in all the streets on Manhattan Island yesterday that has never been matched in the memory of the Traffic Division of the Police Department. This unusual condition, caused by the efforts to carry on one traffic level the passengers usually carried on three levels, continued throughout the day. Although emergency measures were adopted to absorb the crowds, the street cars and buses were unable to convey any of their passengers in comfort. More than fifty persons, three of them traffic policemen, were injured in jams and accidents during the day and one unidentified woman was killed.

"When the city's 2,000,000 travelers who generally use the subways and elevated lines awoke with the problem on their minds of devising some new way of reaching offices and factories, they found that there was rainy weather to add to the difficulties of their travel. Persons who had expected to find a new means of travel an adventure found instead that the chill and rainy weather and the necessity of fighting through enormous throngs made travel a tremendous hardship. In the crushes at the main traffic points throughout the city hundreds of persons were forced to abandon their efforts to reach the lower part of Manhattan Island so that they could work a few hours. Banks and other large institutions, employing hundreds of persons, reported last night that the journeys of many of the employes, particularly girls and women, had so exhausted them that they were not able to work. Even with the regular and emergency bus lines, steamboat schedules, and all the other means of transportation it was estimated last night that not more than one half of the usual north and south travel was carried during the day. Many factories operated with depleted forces, and superintendents last night declared that the efficiency of the workers who did reach their desks or machines was lowered by battling with the throngs or by standing up in long rides for more than an hour.

"Exercising the utmost ingenuity in choosing means of transit, passengers in the Dyckman, Washington Heights, and

[1] Aug. 19, 1919.

other sections at the north of the island, who generally travel to Wall Street in less than an hour, found that they could not make the trip during a 'street car rush hour' in less than two to three hours. There were many persons who reported that it had taken them three hours to reach their offices in the unusual conditions of traffic. As early as five o'clock in the morning throngs were waiting at One Hundred and Forty-ninth Street and Third Avenue, the Bronx, for cars to convey them to their work in Manhattan. These persons thought that they would get up early and get to their offices without inconvenience by avoiding the crowds. They were mistaken in their judgment, because thousands of others had had the same thought and were there waiting for the few cars that were running at that hour. During the usual rush hour hundreds fought for standing room in the street cars that were departing on irregular schedules from their starting point at One Hundred and Eighty-first Street and Broadway. A pouring rain drenched those who had neglected to bring their umbrellas and a brisk wind succeeded in depriving many who had brought them of that means of protection against the rain. Long waits for cars, the heavy rains, and the crowding affected many tempers both in the morning and in the evening, and scores of fist fights were stopped by the police before combatants were able to injure each other. At virtually every one of these traffic points, notably in the Bronx, at One Hundred and Twenty-fifth Street, and in the financial district in the evening, the throngs were almost as large as those seen in Times Square on the night the city was celebrating on the false report that an armistice had been signed."

# CHAPTER XIX

## DEMOCRACY IN INDUSTRY

"WE cannot go any farther in our present direction. We have already gone too far. We cannot live our right life as a nation or achieve our proper success as an industrial community if capital and labor are to continue to be antagonistic instead of being partners; if they are to continue to distrust one another and contrive how they can get the better of one another, or, what perhaps amounts to the same thing, calculate by what form and degree of coercion they can manage to extort on the one hand work enough to make enterprise profitable, and on the other justice and fair treatment enough to make life tolerable. That bad road has turned out a blind alley. It is no thoroughfare to real prosperity."

This quotation is from President Wilson's message to the extraordinary session of Congress which was cabled from Paris under date of May 20, 1919. It voiced the conclusion to which other thoughtful Americans had come. Continuing, the message further said on this vital question:

"We must find another, leading in another direction and to a very different destination. It must lead not merely to accommodation, but also to a genuine cooperation and partnership based upon a real community of interest and participation in control. There is now, in fact, a real community of interest between capital and labor, but it has never been made evident in action. It can be made operative and manifest only in a new organization of industry. The genius of our business men and the sound practical sense of our workers can certainly work such a partnership out when once they realize exactly what it is that they seek and sincerely adopt a common purpose with regard to it."

The President expressed the belief that the new s
method of organization which must be effected are
brought about by legislation so much as by common
and voluntary cooperation of capitalist, manager, and
man. The organization of industry is a matter of corp
and individual initiative and of practical business arrangem
he said, and those who really desire a new relationship between capital and labor can readily find a way to bring it about.

"The object of all reform in this essential matter," continued the President's message, "must be the genuine democratization of industry, based upon a full recognition of the right of those who work, in whatever rank, to participate in some organic way in every decision which directly affects their welfare or the part they are to play in industry. Some positive legislation is practicable. The Congress has already shown the way to one reform which should be world-wide, by establishing the eight-hour day as the standard day in every field of labor over which it can exercise control. It has sought to find the way to prevent child labor, and will, I hope and believe, presently find it. It has served the whole country by leading the way in developing the means of preserving and safeguarding life and health in dangerous industries. It can now help in the difficult task of giving a new form and spirit to industrial organization by coordinating the several agencies of conciliation and adjustment which have been brought into existence by the difficulties and mistaken policies of the present management of industry, and by setting up and developing new Federal agencies of advice and information which may serve as a clearing house for the best experiments and the best thought on this great matter, upon which every thinking man must be aware that the future development of society directly depends."

This question of labor, said the President, stands at the front of all others in every country amidst the present great awakening. "By the question of labor I do not mean the question of efficient industrial production, the question of how labor is to be obtained and made effective in the great process

of sustaining populations and winning success amidst commercial and industrial rivalries. I mean that much greater and more vital question, How are the men and women who do the daily labor of the world to obtain progressive improvement in the conditions of their labor, to be made happier, and to be served better by the communities and the industries which their labor sustains and advances? How are they to be given their right advantage as citizens and human beings?"

It was with the object of formulating a plan for the working out of these new conditions for the industrial state that President Wilson called a conference for October 6, 1919. In a Labor Day appeal urging the people to continue their support of the Administration in its efforts to reduce the cost of living the President stated that the proposed conference "will discuss fundamental means of bettering the whole relationship of capital and labor and putting the whole question of wages upon another footing." Special consideration was to be given by the conference to the unsatisfactory relations between employes and employers.

The conference was composed of forty-five representatives divided into three groups of fifteen members each, representatives of industry, business, finance, and agriculture forming one group, representatives of organized labor another, and representatives of the public a third. The fifteen representatives of the first mentioned group were selected as follows: Five by the National Industrial Conference Board, five by the United States Chamber of Commerce, two by the Investment Bankers' Association, one by the American Society of Equity, one by the National Grange, and one by the National Farmers' Union. The fifteen representatives of organized labor were named by the president of the American Federation of Labor. President Wilson was to name the fifteen representatives of the public but the selection of these fell into other hands owing to his ill-health.

This indisposition of the President was most unfortunate from every point of view in its disastrous effects upon the work

of the conference. It assembled after his illness began and was without his assistance in giving direction to its proceedings, was without a program, and was without any definite policy. Its sessions were too public and at the very outset became the football of group antagonisms. But more even than all this, the personnel of the three groups as they were finally formed foretold, at the very outset to any one in the least familiar with the practical every-day labor problem, that no good could ever come out of such an assemblage in so far as accomplishing anything constructive was to be expected. The so-called public group very inadequately if at all represented the real economic interests of consumers, and if they did not distinctly represent clearly these interests there was no reason for their selection. They were high-minded, public-spirited citizens but these were not sufficient qualifications. One of these representatives of the public was a prominent manufacturer, another was the executive head of the United States Steel Corporation, still another was a representative of the Standard Oil and the Colorado Fuel and Iron Company; one was a Socialist; still others were official heads of national labor unions. These representatives of the public represented every economic interest in the industrial trilogy but that of the consumers. This was the one interest unrepresented that most emphatically was entitled to representation. The details of the sessions of the conference are merely accounts of disagreements rather than of agreements, and about the only good that came out of it was its failure.

This failure, inevitable at the outset, finally came over the question of joint or collective bargaining. Both the public and the labor group agreed to the principle as thus expressed: "The right of wage earners to organize in trade and labor unions, to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers and in respect to wages, hours of labor, and relations and conditions of employment, is recognized. This must not be understood as limiting the right of any wage earner

to refrain from joining any organization, or to deal directly with his employer, if he so chooses." To this formulation of collective bargaining the employers group refused to agree, although its members were divided on the issue in the separate conferences among themselves.

There was no disagreement among the three groups as to "the right of wage earners to organize or not to organize in trade and labor unions, or some form of shop industrial councils." There was no disagreement as to "the right of employers and employes to bargain collectively, in respect to wages, hours of labor, and rules and conditions of employment." All three agreed "for the purpose of so bargaining collectively" in "the right of representation of wage earners." There was also agreement by all three groups in recognizing "the right of wage earners to be represented by representatives chosen by the majority of their own number."

But when an attempt was made to place an interpretation on the practical meaning of this recognition of industrial "rights" to the effect that "this must not be understood as limiting the right of any wage earner to refrain from joining any organization or to deal directly with his employer if he so chooses," the representatives of the employer group declined to agree. Instead, they submitted the following declaration of principle: "The right of employer and employe to negotiate individually in respect to wages, hours of labor, and rules and conditions of employment is recognized."

The labor group submitted their formulation of the principle of collective bargaining as follows: "The right of wage earners to organize without discrimination, to bargain collectively, to be represented by representatives of their own choosing in negotiations and adjustments with employers in respect to wages, hours of labor, and relations and conditions of employment is recognized." This was approved by the public group but approval was withheld by the employer group.

Under the rules adopted for the guidance of the conference unanimous consent was required, and in consequence of this

defeat of the principle of collective bargaining as proposed by the labor group, its representatives withdrew from further participation in the conference. President Wilson then dismissed the employer group and requested the public group to continue in conference to work out alone an industrial program. This group finally adjourned October 24 without accomplishing results other than to recommend the calling of another conference to consist of only fifteen members and these representing solely the public.

The conference was a failure primarily because a powerful and influential group of employers of labor had previously determined upon a policy of opposition to the demands of the labor unions and to the labor policy of the Wilson Administration during the war, and it was the representatives of these employers that dominated the employer group in the conference. They had decided upon a test of strength with organized labor to determine what principles shall govern in the industrial state — they have in the most literal sense thrown down the gauge of battle to the organized workers. There were indications of this all during the sessions which prevented any understanding being arrived at between the three groups as to the formulation of industrial principles of future relations. This decision of the employers was so clearly the fact that representatives of the labor group very early in the sessions saw ahead of them nothing less than a protracted period of industrial warfare to establish their principles. This was impressed upon them in the attitude taken by representatives of this dominant group in the strike of the employes of the United States Steel Corporation which was in progress while the conference was in session.

So unmistakenly was this the prospect as seen by the labor leaders that upon the breaking up of the conference representatives of all the national unions in the country were summoned to Washington by the American Federation of Labor and the railway brotherhoods. These drew up a statement to the public as to the policy organized labor was to pursue in the bitter

contest the leaders saw ahead of them. The statement declared the "fundamental principles" upon which organized labor would combat "grave dangers affecting the very foundation of its structure" in order "to safeguard and promote the rights, interests, and freedom of the wage earners." These principles were a reiteration of those contained in labor's reconstruction program as drawn up by a committee of the American Federation of Labor appointed by the St. Paul, Minnesota, convention in June, 1918. Says this program:—

"The world war has forced all free peoples to a fuller and deeper realization of the menace to civilization contained in autocratic control of the activities and destinies of mankind. It has caused a world-wide determination to overthrow and eradicate all autocratic institutions, so that a full measure of freedom and justice can be established between man and man and nation and nation. It has awakened more fully the consciousness that the principles of democracy should regulate the relationship of men in all their activities. It has opened the doors of opportunity through which more sound and progressive policies may enter. New conceptions of human liberty, justice and opportunity are to be applied. The American Federation of Labor, the one organization representing Labor in America, conscious that its responsibilities are now greater than before, presents a program for the guidance of Labor, based upon experience and formulated with a full consciousness of the principles and policies which have successfully guided American trade unionism in the past."

Under the title "Democracy in Industry" the program says:

"Two codes of rules and regulations affect the workers; the law upon the statute books, and the rules within industry. The first determines their relationship as citizens to all other citizens and to property. The second largely determines the relationship of employer and employe, the terms of employment, the conditions of labor, and the rules and regulations affecting the workers as employes. The first is secured through the application of the methods of democracy in the enactment of legislation, and is based upon the principle that the laws which govern a free people should exist only with their consent. The second, except where effective trade unionism ex-

ists, is established by the arbitrary or autocratic whim, desire or opinion of the employer and is based upon the principle that industry and commerce cannot be successfully conducted unless the employer exercises the unquestioned right to establish such rules, regulations and provisions affecting the employes as self-interest prompts.

"Both forms of law vitally affect the workers' opportunities in life and determine their standard of living. The rules, regulations and conditions within industry in many instances affect them more than legislative enactments. It is, therefore, essential that the workers should have a voice in determining the laws within industry and commerce which affect them, equivalent to the voice which they have as citizens in determining the legislative enactments which shall govern them.

"It is as inconceivable that the workers as free citizens should remain under autocratically made law within industry and commerce as it is that the nation could remain a democracy while certain individuals or groups exercise autocratic powers. It is, therefore, essential that the workers everywhere should insist upon their right to organize into trade unions, and that effective legislation should be enacted which would make it a criminal offense for any employer to interfere with or hamper the exercise of this right or to interfere with the legitimate activities of trade unions."

The field of endeavor of the trade union and the objects it aims to secure are discussed in detail in the reconstruction program under such headings as unemployment, wages, hours of labor, women as wage-earners, child labor, status of public employes, cooperation, the people's final voice in legislation, political policy, government ownership, water ways and water power, regulation of land ownership, federal and State regulation of corporations, freedom of expression and association, workmen's compensation, immigration, taxation, education, private employment agencies, housing, and militarism.

Under the claim of industrial democracy the railway brotherhoods launched an extensively organized campaign in 1919 against the return of the railroads by the Government to private operation. The Plumb Plan League was organized, a weekly newspaper, "Labor," published, a lecture and public speakers'

bureau put to work on propaganda, and a widespread movement created among the organized wage earners in favor of a so-called tripartite plan of railway control under Government ownership in which the wage earners on the railroads had representation in the board of directors. Briefly, this plan provides, in a bill introduced in Congress, for the acquisition by Government bond issues of complete ownership by the Federal Government through the National Railways Operating Corporation, created for the purpose, of all railway property in the United States under compensation to be determined by the Railways Board of Appraisement and Extension, also created in the bill for this particular purpose. The Operating Corporation was to be administered by a board of directors of fifteen members selected in the following manner: "Five of the directors shall be elected by the classified employes of the railway lines and properties of the United States and its possessions below the grade of appointed officials; five of the directors shall be elected by the official employes of said lines and properties; and five, of whom one shall be designated as chairman, shall be appointed by the President of the United States, by and with the advice and consent of the Senate; not more than three of said appointees shall belong to one political party. That the members of each group of five directors shall be elected and appointed, respectively, for terms of two, four, six, eight, and ten years each, their terms thereafter overlapping and for ten years each. The elected directors shall be subject to recall by their electors and the appointed directors to removal by the President for inability or misconduct." [1]

The territory of the United States and its possessions was to be divided into operating districts and in each district a railway council constituted as follows: "One-third of the members of the council shall be elected by the classified employes within their district below the grade of official employes, one-third of the council shall be elected by the official employes within said district, and one-third, of whom one shall be desig-

[1] Section I, Article 2, of the so-called Esch bill.

nated as chairman, shall be appointed by the board of directors." [1] The board "may delegate to any district railway council such of their powers under this act as may conveniently be exercised locally, and the district railway council shall, upon such delegation, have and exercise within its district all of the powers and duties of the board of directors as may be delegated to it." [1]

[1] Section 3, Article 2 of the Esch bill.

# CHAPTER XX

## THE THREE PARTIES TO PRODUCTION

THE nature of the conflict between the wage worker and the capitalist-producer over the division of the proceeds of industry as viewed by leaders of the workers is clearly set forth by Mr. Warren S. Stone, grand chief of the Brotherhood of Locomotive Engineers, in testimony before the Committee on Interstate and Foreign Commerce of the House of Representatives,[1] in support of the demand of the railway brotherhoods for employe representation in the board of directors of the railroad corporation. Mr. Stone explained the fundamental purpose of organized workers as being "to secure better working conditions and a larger measure of return for their labor." But in their efforts to attain these objects "the full force of capitalistic organizations has been set against labor to hold and to keep all the profits of industry. The strength of the labor unions has been exerted to wrest from capital some share of the profits for the wage earners.

"This has been a perpetual struggle by the workers to maintain a tolerable standard of existence; on the part of capital, to amass greater profits. At times, both sides could ignore the needs of the public. But now the very growth of the labor organizations has brought into their ranks a great mass of the consumers. The large number of the wage earners now constitute a large percentage of the people. The extension of industry has changed the nature of the previous struggle. For whatever the worker receives in wages he must spend for the necessaries of life. In addition, he is always compelled to pay

[1] Hearings on Return of the Railroads to Private Ownership, Sixty-sixth Congress, First Session, H. R. 4378, August 20–27, 1919, Plumb Plan Testimony.

to the employer an excessive profit on his own wages. The cost of his living is determined by the sum he earns, plus the profits he is charged on his own labor. And as a group, labor is forever prevented from bettering its lot because of the profits exacted by the employer. The hope of a finer life is never realized. So long as consumers are forced to pay extortionate profits on their own earnings to a third interest there is no solution of the industrial problem.

"We find that this third interest absolutely controls and dominates the management of industry. It fixes wages and controls working conditions. It fixes the prices of commodities without regard to the needs of society, or the necessities of producers and consumers.

"We have a democratic form of government but an autocratic control of industry. We exist under government, but by industry we live. Under such a system the majority of a democracy can, through their government, enjoy only such rights and privileges as an autocracy in industry permits them to receive.

"This country was peopled by a race who sought within its boundaries religious freedom. It was established by their descendants through revolution as a land of political freedom. We now demand that it become the home of industrial freedom." Mr. Stone expressed the belief that this could "only be accomplished by extending to industry the same right of individual freedom recognized by the founders of our Government in establishing this democracy. The need of mankind for the products of industry must be accepted as the basic interest in all industry. The right of the worker who supplies that need demands like acceptance. This can only be achieved by permitting producers and consumers to share in the control of the management of their means of existence."

This presentation of the situation by the leader of one of the most powerful and at the same time conservative labor organizations of the country is deeply significant. It reflects the fact that the more advanced representatives of organized labor believe that further increases in wages without control over the transfer of these increases to the prices of the commodities that enter into the daily life of the workers, mean no permanent advance to the wage worker. Therefore organized

labor must strike out for a greater degree of control over the power that fixes prices just as by past endeavor it has secured part control at least over the power to fix wages. The interest of the worker is in the price of the things he buys with his wages as much as it is in those wages. Heretofore organized labor has emphasized increases in wages with but little if any thought of what those wages would exchange for. It has been too much concerned with money wages and too little interested in real wages — in the food, clothing, shelter, and so on which the money wages purchase. And after all the real progress of the organized labor movement and the economic welfare of its individual members is measured in terms of real and not money wages.

This concept of the economics of wages and of the labor movement links the interest and welfare of the wage worker with that of the consumer. It recognizes that in the product of every industry, whether this product is a commodity or a service, there are three groups in society that have a vital, economic interest in the processes of production, distribution, and consumption. These three groups are the consumer who pays the price for the commodity or service, the capitalist whose money is invested, and the worker who supplies the labor.

There are three basic interests in every socialized industry, says Mr. Glenn E. Plumb, counsel for the railway brotherhoods, in his testimony before the Committee on Interstate and Foreign Commerce of the House of Representatives of the Sixty-sixth Congress.[1] By socialized industries Mr. Plumb does not mean ownership or control by the Government but those that are based on either a grant from the Government or a privilege of monopolistic nature. He does not include industries carried on by individuals under the competitive system without the aid or grant of privilege. By "socialized" he means industries which require great aggregations of workers, each performing a small fraction of the task of production and in which the finished product is the result of combined co-

[1] Hearings, First Session, on H. R. 4378, August 20–27, 1919, Part 5.

operative productive effort. "I deem that an industry is socialized," he says, "when it can only be carried on by a grant of society and by organizations which eliminate individual effort or competition. It is a function of society when it has reached that development, regardless of its ownership of management, and it is in that sense and that sense alone that I speak of 'socialized' industries."

Says Mr. Plumb:

"The first interest is that of the public, which I define as the demand of the public for the products of that industry. It is the need of society for those things essential to its existence which are produced alone by the organized, socialized, productive efforts of those engaged in meeting this demand. Without the existence of this demand of society, that industry could not exist; without this demand capital would have no field for investment, labor would have no opportunity for employment. With either one of these three fundamental interests lacking the other two could not exist within that field of production.

"The second interest is the interest of capital. Capital is nothing but the unexpended surplus of past human effort which is now available to furnish the tools for present human effort. It is essential to every organized industry in that it furnishes the tools for production without which the demand of society for the products of industry could not be satisfied and without which labor or human effort could not find employment.

"The third fundamental interest is that of the wage earner or producer. It includes all those employed in productive efforts in those industries which have been socialized. That includes not only the man who works with his brawn, but the man who works with his brain — all productive effort in that industry. This constitutes the third interest which I have termed the interest of the wage earner. The wage earner represents the human effort which must be applied to these means for production, without which capital could not find investment and secure its returns and without which the needs of society for the products of industry could not be satisfied.

"These are the three fundamental interests in industry, each as essential to the existence of industry as the other. Therefore they are equal and must have equal opportunity, protection, and authority."

Viewed from the welfare of each of these economic groups which combined comprise all members of society, the fundamentals of the distribution of the proceeds of production should be a fair return to the owners of capital, a fair wage to the possessors of labor, and a fair price to the consumers of the commodity or service. Production should be so organized that the attainment of any two of these objects automatically produces the third. That is, a fair interest or dividend and a fair wage should of themselves in combination result in a fair price; a fair interest or dividend return and a fair price should of themselves in combination result in a fair wage; and a fair price and a fair wage should of themselves in combination result in a fair return to capital in interest or dividends. Production organized on such a basis would secure and assure economic justice to the individual citizens in all three groups.

The great obstacle to the attainment of this much to be desired end is the widespread violation of the prime essential of honest corporate organization and financing of industries engaged in production. This essential is accurate and trustworthy information as to the actual true capital investment of money and services. Instead of the finances showing this, in all too many cases the true capital investment is arbitrarily increased by paper capitalization and hidden or concealed by corporate organization and similar methods to such an extent that it is not possible to ascertain what is a fair return to the capital actually invested and in turn to any one of the other two elements to production. If, for example, with the finances showing a capitalization of, say, ten million dollars where only one million dollars of money and services are actually invested and with a dividend or interest return paid on the ten million, there cannot be a fair return on capital, a fair wage, and a fair price — every one of the three is most likely to be unfair. If, through holding and subsidiary companies, the bookkeeping entries or charges are manipulated so as to falsify or conceal the actual transactions, there can be no basis for the determination of the share of each of these three factors in production.

So at the very outset it is impossible, for any industry thus capitalized and organized to supply the essential elements of fairness.

The cost of management in salaries to executives, superintendents, managers, and so on, which might be considered as a fourth factor in production separate and distinct from either capital or labor is here treated as a part of labor; it can with equal regard for the facts be treated as a part of capital cost.

Beginning in 1910 the four railway brotherhoods whose members are engaged in the operation of trains, directed concerted movements for increases in wages against large groups of railroads in the three territorial divisions, that is, the Southern, Eastern, and Western territories. The principal line of defense of the transportation corporations in opposition to the demands of their employes for higher wages and shorter hours of work was their claim of "inability to pay." So persistent was this claim down to 1913 without specific proof of the assertion other than the formal presentation, before arbitration boards appointed by the President of the United States, of their "property investment" and "capital obligations" accounts as taken from the reports of the companies to the Interstate Commerce Commission, and so insidious was its effect upon members of the board, with a terrifying and confusing array of statistical tables showing alleged fixed charges which must be met if bankruptcy was to be avoided, that two of the railway brotherhoods determined upon an ascertainment of the facts if it were possible to ascertain those facts.

For eight months a most exhaustive investigation was made by a staff of experts. The so-called "property investment" account of all the important railway systems of the United States was analyzed. Their intercorporate relations through stock ownership were also established and the effects of these relations upon the finances of the companies shown. Their so-called "capital obligations" account was gone into thoroughly; also the interrelation of all these companies with each other and with industrial and financial corporations and supply

companies by means of interlocking directorates and stock ownership by individual railway officials. No ascertainable fact that would throw light on the confusing, complex, and complicated situation was ignored. And when in 1913 the concerted wage movement of the Order of Railway Conductors and Brotherhood of Railroad Trainmen against the leading railways of the Eastern Territory came before the board of arbitration appointed by President Taft to settle the controversy, all this mass of data was presented before this board in statistical tables, charts, text explanations, and in the oral testimony of an expert witness. The Eastern railroads stated for the first time that they did not claim "inability to pay."

The sum and substance of this investigation is to condemn as worthless, the so-called "property investment" account as it appears today on the books of these transportation corporations. The same is true as to the alleged "capital obligations" account of these companies — it is worse than useless as a fair measure of ascertaining the securities that have a just claim upon the earnings of the railroads; it is actually misleading. These statements are verified by numerous rulings and findings of the Interstate Commerce Commission.

This, then, is the situation today with regard to the "official" statements of the railroads of the country as to the basis of their elaborate financial structure. This basis is unjust, unsound, and misleading, not to apply harsher terms. Consequently the railway employes have not the slightest confidence in the financial statements of railway corporations — the employes in their wage demands absolutely refuse to take into consideration any claims of the officials as to the corporations' finances. This, in turn, has resulted in these wage earners objecting to the reports as in any honest degree reflecting the actual facts and declining to accept them as a basis for determining "the ability to pay" the higher wages and the cost of improved conditions of employment demanded of the industry. Such accounts make it next to impossible for arbitration boards to render intelligent and just decisions in wage

cases. Perhaps this is one of the reasons why arbitration through the intervention of the National Government no longer has the confidence of the railway employes. From the side of prices, in the case of railroads taking the form of transportation rates for services, the Interstate Commerce Commission finds such accounts so unreliable as a basis for the determination of what are reasonable rates that it refuses to take them into consideration in this connection.

This is the situation that exists with regard to the finances of our railroads whose accounts, many of which are still inaccurate notwithstanding they are now kept according to rules prescribed by the Interstate Commerce Commission, are regularly inspected and are far more subject to governmental authority than the accounts of other corporations. What is fairly to be expected as to the finances and practices of corporations that are absolutely free in the adoption and employment of such methods? Some concept of the conditions can be gained from a perusal of the findings of the Commission in the notorious looting of the New Haven, the Rock Island, the Pere Marquette, the Cincinnati, Hamilton and Dayton, the Chicago and Alton, the St. Louis and San Francisco, and other roads generally regarded by the public as under government supervision because of the mistaken idea of the extent of the jurisdiction of the Interstate Commerce Commission. These findings present a most disgraceful record of practices that are really nothing less than the robbery and theft of values that belong to the people. The fact it is desired to make plain here is that there is such widespread misuse of the legitimate principles of corporate organization and finance that only in exceptional cases of large industrial enterprises is it possible to ascertain from their accounts the essential facts in order to arrive at a just determination of a fair return to capital, a fair wage to labor, and a fair price to the consumer.

The American workingman, then, is justifiably suspicious of the financial practices of industrial corporations as to their investments and earnings. He will never be content with any

so-called "profit sharing" plan so long as corporation finances absorb by unjust capitalization methods a huge proportion of the earnings over and above those properly due to the capital invested. Such a practice verges close to actual fraud and explains in part why the American workingman has received so-called profit sharing schemes with suspicion. Until a financial and corporate organization is effected in American industries that will represent the facts of investment as they actually exist, the workers will continue to ignore the alleged financial statements of these industries. One of the very first reforms necessary in these days of moral awakening as to rights and justice in the industrial world is the abandonment of past and present financial and corporate methods, based on forced profits through high prices over and above a legitimate return for the service performed, and the substitution of others that show the actual facts in relation to production for social service. Then, and then only, will profit sharing, stock ownership by employes, participation in management by the workers, and like economic appeals possess for the workers the attractions inherent in their principles.

But the situation is even more serious. The methods and practices of industrial autocracy affect not alone the wage workers but all consumers.

# CHAPTER XXI

## INDUSTRIAL AUTOCRACY AND THE CONSUMER

INDUSTRIAL autocracy operates through the corporation. If we are to understand clearly autocracy's methods and practices that are injurious to the economic interests of the wage worker and the consumer we must examine the operation of the corporation. But these methods and practices are so general throughout the industrial state and they are manifested in so many different ways that it is not possible, within the limited space at our disposal, to indicate completely their nature and characteristics. All that can be done is to present very brief summaries from official government reports. For this purpose the records of the Interstate Commerce Commission are selected and those, too, of only a single corporation, but it is not to be inferred that these practices are confined to this particular transportation company or solely to railway corporations. From the Commission's reports on the financial and other transactions of the New York, New Haven and Hartford Railroad Company,[1] which transactions resulted in the financial wrecking of that great transportation system, extracts will suffice to give a general idea of the methods employed by the autocracy in control of our industrial state. Quotations are the exact wording of the Commission's statements.

Evidence of wrongdoing such as was disclosed in this investigation is difficult to obtain. Men do not conduct such transactions in the open, but rather in secret and in the dark. Only those individuals involved, as a rule, have direct informa-

[1] I. C. C.— No. 6569 — Financial Transactions of the New York, New Haven & Hartford Railroad Company. Also 27 I. C. C., 560, New England Investigation.

tion. So some of the evidence, of necessity, must come through participants. And in securing such evidence immunity against criminal prosecution has to be extended to some of those incriminated. Ordinarily, too, in investigations by the Commission evidence is easily adduced by placing witnesses upon the stand, but in this instance the witnesses, other than the accountants for the Commission, were in the main hostile, and with few exceptions their testimony was unwillingly given. One witness to whom payments of many thousands of dollars had been made in a transaction for which there were no itemized vouchers "left for Europe after this investigation was commenced, and his evidence could not be secured."

In its search for the truth not only did the Commission have to overcome the obstinacy of witnesses who declined to testify until criminal proceedings were begun for their refusal to answer questions, but it also encountered obstacles purposely placed in its way, such as the burning of records, books, letters, and documents. "J. L. Billard purposely burned his books and papers so as to get them out of the way." "This transaction (referring to the purchase by the New Haven of trolleys from the Rhode Island Securities Company) seems an extravagant purchase and makes it a matter of interest just who owned the securities of the Rhode Island Securities Company. This information could be furnished from the stock books of that company, but during the progress of this investigation it was learned that these books had also been burned." There was additional evidence as to the destruction of still other records.

The New Haven system had more than three hundred subsidiary corporations "in a web of entangling alliances with each other, many of which were seemingly planned, created, and manipulated by lawyers expressly retained for the purpose of concealment or deception."

The financial operation necessary for these acquisitions (referring to steamship and trolley lines acquired by the New Haven) and the losses which they have entailed, have been

skillfully concealed by the juggling of money and securities from one subsidiary corporation to another.

The story of the companies through which the property of the Metropolitan Steamship Company, operating between New York and Boston, passed "under the direction of Mr. Robbins, the general counsel for the New York, New Haven and Hartford Railroad Company, is indeed a remarkable exhibition of corporate legerdemain. . . . Witnesses who were officers of some of these companies appeared before the Commission and testified that they acted as 'dummies' under the direction of Robbins and of attorneys selected by him. Some of them handled, without any knowledge of the nature or purpose of the transactions, checks approximating three million dollars."

"The devious methods used, the tangled web of corporate transactions through which this property (the Metropolitan Steamship Company) passed and the use of 'dummies,' who knew nothing of the purposes for which they were being used, all clearly indicate that the purpose of these circuitous methods was to conceal the hand of the New Haven. The names of the men who vouched for the 'dummy' treasurer, Richards, and who undoubtedly furnished the money which at the inception of this transaction he was blindly using, also seem to point to the New Haven." Thus in the acquisition of the numerous steamship lines that ply between several of the large cities served by the New Haven system "dummy companies and dummy officers and directors were used in financial maneuvering that resulted in the New Haven controlling those steamships."

Increases in capital stock of the New Haven were made upon the basis of transfers of assets from one subsidiary company to another. The steamship properties of this system at one time were held by the New England Navigation Company, approximating a cost of $11,500,000. This latter company transferred the title of these steamship properties to another subsidiary company, the Consolidated Railway Company, at a value of

$20,000,000. The Consolidated Company thereupon increased its capital stock $20,000,000. The latter company was then merged with the New Haven, and the stock of the New Haven increased $30,000,000, $20,000,000 of which went to the New England Navigation Company, and placing in its treasury by this transaction $20,000,000 Consolidated Railway stock, which by the merger became New Haven stock, with a market value of over $30,000,000.

Domination of the Boston and Maine Railway was secured with apparent ease to the New Haven "without any expenditure" and simply "by inducing an exchange of the Boston and Maine stock owned by the American Express Company for New Haven stock." Thus by a mere exchange of stock those controlling the New Haven were enabled to extend their domination over almost the entire railroad property in five States. Those who at first were merely employed as fiscal agents of the railroad to negotiate its securities used that knowledge in the effort to become the masters in supreme control of the transportation of the country. This is an illustration of what has been a most dangerous tendency in recent years.

Among the marked features and significant incidents in the "loose, extravagant, and improvident administration of the finances of the New Haven as shown in this investigation" are the following:

The Boston and Maine despoilment.
The iniquity of the Westchester acquisition.
The double price paid for the Rhode Island trolleys.
The recklessness in the purchase of Connecticut and Massachusetts trolleys at prices exorbitantly in excess of their market value.
"The retention by John L. Billard of more than $2,700,000 in a transaction in which he represented the New Haven and into which he invested not a dollar."
"The inability of Oakleigh Thorne to account for $1,032,000 of the funds of the New Haven intrusted to him in carrying out the Westchester proposition."
The Westchester transaction is a story of the profligate waste of corporate funds.

"The vote appointing this committee (directors Morgan, Rockefeller, and Miller, with President Mellen as chairman) is ambiguous and was evidently intended to conceal a secret purpose. The full board was not taken into the confidence of those directors who wanted these securities purchased."

"No comment is necessary to make clear to the mind the corrupt and unlawful nature of this transaction, and it would seem that the amount illegally expended could be recovered from Mr. Mellen and the directors who authorized it."

"It appears that of the moneys disbursed by Perry and Thorne, $1,423,000 remains to be accounted for by them."

"The blame for the Westchester (involving the squandering of more than $36,000,000 of the moneys of the New Haven stockholders) rests squarely upon the directors of the New Haven road. Some are guilty for acts permitted; others, the greater number, for their failure to act. They are alike culpable and responsible to the stockholders."

The result of the transaction with regard to the acquisition of trolley lines was to enable the United Gas Improvement Company to realize par value on securities amounting to $19,899,000 of debentures which represented an investment of approximately only $6,000,000 and based merely upon lively expectation of future possibilities, thereby immediately placing the burden of watered stock upon the backs of the New Haven stockholders. The millions that were made from this transaction did not come through magic, but were brought into existence at the expense of the stockholders of the New Haven, upon whom and the public the yoke of giving value to these securities ultimately rests, and the New Haven stock was diluted to the extent of the water thus added.

Purchases of cars and coal are two large expenditures that railroads make. "The New Haven purchased cars almost exclusively from James B. Brady without competition and to the extent of some $37,000,000. Mr. Brady, as a witness, made no secret of his generosity to the officials with whom he had business."

Locomotives were purchased from the company in which a director of the New Haven was also a director.

Many supplies obtained by the New Haven were from com-

panies having directors who were also directors of the New Haven.

There was the habitual payment of unitemized vouchers without any clear specification of details.

There was the confusion of interrelation of the principal company and its subsidiaries and the consequent complication of accounts.

Proper accounting demands that the records of a company should reflect accurately the transactions relating to the matter recorded, and where accounts fail to reveal a true history of the transactions it can be due to but one of two causes — carelessness or design. Several transactions appear of record " which show that by no stretch of imagination can the irregularity of recording be classified as due to carelessness."

The practice of financial legerdemain in issuing large blocks of New Haven stock for notes of the New England Navigation Company, and manipulating these securities back and forth.

Fictitious sales of New Haven stock to friendly parties with the design of boosting the stock and unloading on the public at the higher " market price."

The unwarranted increase of the New Haven's liabilities from $93,000,000 in 1903 to $417,000,000 in 1913.

The increase in floating notes from nothing in 1903 to approximately $40,000,000 in 1913.

The loss of $2,748,700 growing out of the so-called Billard transaction. That Billard was merely a tool of the New Haven in transactions where he was involved is shown by the following facts which stand out glaringly in the record of attempted evasions of the law as disclosed by the Commission's report:

1. He never paid a dollar of his own for the stock in any of these transactions.
2. He never bought a share of Boston and Maine stock where the New Haven did not furnish him the money.
3. He never sold a share of the Boston and Maine stock except as the New Haven dictated.
4. All securities nominally held by the Billard Company were kept in a subdivision of the vaults of the New Haven.
5. The Billard Company was organized by the general counsel of the New Haven.
6. The Navigation Company furnished the $2,000,000 for

which the Billard Company was capitalized. Billard testified that he did not pay any of his own money for the stock.

7. The Billard Company bought other Boston and Maine stock in addition to the 109,948 shares.
8. There is no evidence that the Billard Company acted for or on behalf of any interest other than the New Haven.
9. The whole capital stock of the Billard Company was used as his own by Charles S. Mellen (President of the New Haven) as collateral security for his own personal borrowing of $375,000.
10. The Billard Company paid out of its treasury $375,000 to enable John L. Billard to repossess himself of the $2,000,000 capital stock of that company after the same had been pledged by Mr. Mellen.
11. J. L. Billard purposely burned his books and papers so as to get them out of the way.
12. The Billard Company was used to take over some of the questionable assets of the New Haven and assets which it was desirable to conceal.
13. The minutes of the board of directors of the New Haven show that Billard was to receive no profit out of this transaction other than a reasonable compensation.
14. In two other transactions shown in this case Billard and his company were admittedly used to accomplish New Haven purposes, and in one of them, which resulted in a loss, the New Haven made up the deficit to the Billard Company.

All these practices and many more of record represent transactions within the industrial state proper, but industrial autocracy does not confine its practices to the industrial state. It reaches out its malign influence and endeavors to control also the educational state for its own selfish purposes. The Commission's investigation disclosed "how public opinion was distorted; how officials who were needed and who could be bought were bought; how newspapers that could be subsidized were subsidized; how a college professor and publicist secretly accepted money from the New Haven while masking as a representative of a great American university and as the guardian of the interests of the people; how agencies of information to

the public were prostituted wherever they could be prostituted in order to carry out a scheme of private transportation monopoly imperial in its scope."

Among these particular incidents in "the loose, extravagant, and improvident administration of the New Haven" were: The unwarranted expenditure of large amounts in "educating public opinion"; the disposition, without knowledge of the directors, of hundreds of thousands of dollars for influencing public sentiment; attempts to control utterances of the press by subsidizing reporters; the investment of $400,000 in securities of a New England newspaper.

Even these questionable practices are not all. Not content with its malpractices within the industrial state and its attempts to control the educational state, the New Haven industrial autocracy blatantly attacked the instrumentalities of the sovereign political state itself. Not only did the Commission's investigation into the financial workings of the management of the New Haven system disclose one of the most glaring instances of maladministration revealed in all the history of American railroading but it also uncovered many instances of violation of the laws of different States.

Briefly summarized, here are some of the Commission's indictments of the activities of the New Haven industrial autocracy in its efforts to dominate for its own purposes the political institutions of the free people of New England:

The unlawful diversion of corporate funds to political organizations.

Payments made for political purposes totaled a large sum. For instance, in 1900, $50,000 was contributed by the New Haven for campaign purposes through J. P. Morgan and Company. No proper and complete voucher for this payment appears on the books of the New Haven Company. In 1904 a payment of $50,000 was made through Mr. Mellen for political purposes. This was secretly done and not reported to the directors or stockholders or in any manner made public.

The regular employment of political bosses in Rhode Island and other States, not for the purpose of having them perform

any service but to prevent them, as Mr. Mellen expressed it, from "becoming active on the other side."

Payment of money and profligate issue of free passes to legislators and their friends.

Extensive use of a paid lobby in matters as to which the directors claim to have no information.

The scattering of retainers to attorneys of five States, who rendered no itemized bills for services and who conducted no litigation to which the railroad was a party.

The story of Mr. Mellen as to the distribution of $1,200,000 for corrupt purposes in bringing about amendments of the Westchester and Port Chester franchises.

In connection with the steamship purchases by the New Haven it was necessary to have piers. The record shows money payments in connection with pier leases which were unmistakably improper, and these payments were covered up by being charged on the books of other companies to the New Haven under such headings as "repairs on steamers." These pier leases in the city of New York are controlled by public officials, as the municipality owns the piers, and arrangements for the leases had to be made through these officials. But because of the methods employed to conceal these expenditures by increases of capital stock and otherwise, it has been impossible to give any total amount of these payments.

"The New Haven management had no politics," comments the Interstate Commerce Commission on the large expenses incurred out of the treasury of the corporation in litigation, in procuring legislation, and in the New Haven's attempts to stem the tide of adverse popular opinion. "It was Democratic in Democratic States and Republican in Republican States. As Mr. Mellen testified, its effort was always to 'get under the best umbrella.' No public-service corporation may rightfully use corporate funds to promote a political cause or to support a political candidate or a political party. A corporation as such has no political principles to maintain and no political candidates to support. The revenues of a public-service corporation are for the most part derived from the exercise of the right delegated to it by the sovereign power to tax the public by fixed rates established in accordance with law. Shippers and the traveling

public may be presumed to be divided in political opinion. Corporate revenue derived by public tax from men of one political conviction can not be used to support the fortunes of a candidate or party of contrary political principles. Regardless of the injustice to stockholders and travelers belonging to another party which results from such use of funds, the withdrawal from corporate use and the diversion to political use is illegal and indefensible.

"Corporate funds may not be used for other than corporate purposes. That there was, at the time of such taking and diversion from corporate use, no express statute making such acts criminal, in no degree justifies or renders lawful such indefensible use of corporate funds. It was always dishonest. The state itself may not use public funds for other than purposes prescribed by law. No creature of the state can assert power of which the state itself is devoid, to use money derived from a tax on shippers and travelers to promote the interests of any political party. Nor is the 'education' of the public upon economic issues any part of the province of a corporation such as is here in question. Such political and 'educational' use of corporate funds is a gross injustice to the stockholders and the public."

Among the characteristic features of the industrial autocracy of the New Haven were "the domination of all the affairs of this railroad by Mr. Morgan and Mr. Mellen and the absolute subordination of other members of the board of directors to the will of these two"; "the indefensible standard of business ethics and the absence of financial acumen displayed by eminent financiers in directing the destinies of this railroad in its attempt to establish a monopoly of the transportation of New England"; corporate and financial practices which on a reasonable estimate have resulted in a loss to the New Haven of between $60,000,000 and $90,000,000; "an unsound and mischievous" monopoly theory to effect which the New Haven attempted to circumvent governmental regulation and to extend its domination beyond the limits fixed by law. "To achieve

such monopoly," says the Commission, "meant the reckless and scandalous expenditure of money; it meant the attempt to control public opinion; corruption of government; the attempt to pervert the political and economic instincts of the people in insolent defiance of law. Through exposure of the methods of this monopoly the invisible government which has gone far in its efforts to dominate New England has been made visible."

# CHAPTER XXII

## INDUSTRIAL AUTOCRACY AND THE CORPORATION

PRACTICES and methods of industrial autocracy similar to those described as having financially wrecked the New Haven have also resulted, in their operation upon the railroads alone since 1900, in the looting of the Boston and Maine, the Chicago and Alton, the Rock Island, the St. Louis and San Francisco, the Pere Marquette, the Cincinnati, Hamilton and Dayton, and other corporations engaged in the production of transportation services for the people. In most instances these railroads had previously been highly prosperous and thriving, serving efficiently rich and growing sections of the country, and conservatively managed in the interest of the public welfare. One of the effects of this reign of industrial autocracy has been an increase in the number of and additions to already existing private fortunes of "undesirable" citizens and in consequence an increase in, or what might have been a decrease of, the cost of producing transportation to these corporations which prevents higher wages to the workers and lower rates to the consumers.

As has been said, the corporation is the operating instrumentality by means of which industrial autocracy attains its ends. Let us admit at the very outset that the production of commodities or services by the corporation has incalculable social advantages. An entire volume could be written detailing these advantages but at the present we are not concerned with this aspect of the industrial state. While the welfare of society demands that all these advantages be retained, it also just as imperatively demands that the evils and injurious practices of the corporate control of wealth production and dis-

tribution be eradicated. For within and behind the corporation Special Privilege, which has been driven by the people from their religious, their educational, and to a large extent from their political state, has taken refuge and is today entrenched in the industrial state.

The corporation is a creature of the political state — it is brought into existence by means of a charter from the State and all the powers to which it has any right are conferred upon it through this exercise of the sovereignty of the people. Powers not specifically conferred upon it by its charter or act of incorporation are reserved exclusively to all the people. If its operation were confined to the exercise of its specified authority and if the powers granted were effectively regulated by the political state the workers and consumers would have no cause for complaint. But the corporation has assumed rights and appropriated values which it was never intended it should have. The political state has been neglectful of its creature in that its representatives have not properly regulated the operation of the corporation in the interests of the people.

Now the corporation of and by itself is inoffensive; it is an inanimate thing, and itself can do no harm to the people. Whether it is beneficial or injurious depends upon the hands which direct its operation and the use to which it is put. It is like a revolver in that in the hands of a thief or thieves it can be made the instrument of robbery while in the hands of well intentioned men it can be made a weapon of social justice. There are many corporations honestly managed and efficiently conducted for the benefit of the people. There can be no denying and there should be no attempt to deny this fact. At the same time it is also equally true that in far too many cases the corporation is in the control of men who use it simply as a means of exploiting the people either through low wages or high prices or both.

The corporation is the instrument for accomplishing the purpose of the owners of capital. Now capital itself, like its agent the corporation, is neither a saint nor a sinner; it is not,

either morally or economically, a law unto itself, irrevocable, and working towards an end regardless of human welfare or the happiness of the individual. It is this only when the owner of the particular capital wills it to be. Capital simply obeys the command of its owner or of whoever may be in control of it for the time being. Capital of its own volition did not turn itself into the manufacture of guns and other munitions of destruction in 1914 at the outbreak of the European war; it withdrew from peace time production and pursuits only at the command of those who were in control of it. It was capital in the hands of the American Red Cross that performed the healing and humane tasks on the battlefields of Europe just as it was capital directed by the Imperial German Army that accomplished its destructive and inhuman deviltry. Scores of similar contrasts of the use and misuse of capital will readily occur to the reader.

Thus the mission or purpose of capital cannot be dissociated from the intent of its possessor. So when we see capital paying low wages and find wage earning citizens living in antisocial conditions of disease and poverty — when we see the consumer exploited through high prices — we can be pretty sure that the owner of this particular capital employing these workers and enforcing these prices wills these conditions to exist. It is true the owner of the particular capital may not know of these conditions — his capital may have been borrowed by some one else who puts it to work in this way. But this does not alter the fundamental fact, already stated, because for the time being the borrowed capital is temporarily "owned" by the user thereof who wills the low wages and the high prices. True also it is that the owner may have his desire centered in those benefits which this misuse of capital brings to him rather than in the effect its misuse has on the wage worker and the consumer. If owners of capital were more frequently identified personally in the public mind with the methods and practices accompanying the use to which it is sometimes put in production, they might in shame and dis-

grace withdraw their capital from that particular employment.

As to the character of the organization of the corporation there is a woeful lack of knowledge on the part of the public. Superficially, the corporation gives the impression that it is democratic in its organization in that the exercise of the authority conferred by its charter or act of incorporation is vested in its stockholders. The fact is that the source of the corporations' authority within the limitations of its charter rights does not lie with a majority of the number of its stockholders but with a majority of the shares of stock which the corporation issues. Let us illustrate this point in the case of the New Haven.

At the time of the financial wrecking of this railroad corporation, the Mutual Life Insurance Company of New York, another corporate creature of the political state, owned 35,640 shares of the New Haven's stock. With each share representing one vote, this amount of stock in the stockholders' meetings represented that many votes. The American Express Company, still another corporation, owned 23,493 shares and in consequence had that many votes. The total number of stockholders in the New Haven at the time was 21,948, so that either of these two corporations of and by itself exercised greater voting power than all the remaining stockholders combined, assuming that each of the 21,947 owned but a single share of stock. The New York Central and Hudson River Railroad Company, another and competing transportation corporation, also a creature of the political state, cast 11,148 votes in the stockholders' meetings of the New Haven; Charles Pratt and Company was credited on the books of the New Haven with the ownership of stock equal to 10,463 votes. Mr. Lewis Cass Ledyard, a single individual stockholder, cast 20,542 votes; another individual stockholder, Mr. C. S. Mellen, the president of the New Haven, had 8,780 votes; Mr. C. M. Pratt, 6,690 votes; and Mr. J. P. Morgan, a member of the board of directors of the New Haven, 5,077 votes.

Thus the principle of voting power based upon the amount of stock owned and not upon the number of stockholders gives to a single corporation such as the Mutual Life Insurance Company as many votes as would be cast by 35,640 separate stockholders each owning one share of stock. Such had been the public refutation of the New Haven management prior to its wrecking that thousands of citizens of New England, dependent widows and orphans, and savings banks, charitable societies, and executors of trust funds and the like, regarding its securities as a safe and conservative investment, had placed their all in its securities; and yet all combined these thousands of stockholders representing millions of dollars of hard-earned savings and in thousands of cases everything of money value many of them had in the world, did not possess as much of a say in the stockholders' meetings as did a single corporation.

The seat or source of all power possessed by the corporation within the limitations of its charter rights lies then, not with a majority of the number of stockholders, as is generally believed, but with the owner or owners of a bare majority of the amount of shares of stock the corporation has issued. And this majority of shares may be and frequently is possessed and its powers exercised by a single corporation.

Let us carry the analysis a step further. The New Haven corporation itself, through its ownership of stock of the Central New England Railroad Company, cast 49,649 votes, or 98.7 per cent. of the total voting power, in all stockholders' meetings of the Central New England; it cast 290,600 votes, a bare majority of the total number of votes but sufficient to decide all questions submitted, in all stockholders' meetings of the New York, Ontario and Western Railroad Company. This voting power of a single corporation is greater than the combined voting strength of the remaining 3,501 stockholders. Through ownership of 90.7 per cent. of the stock of the Boston Railroad Holding Company, the New Haven, although not owning a single share of stock in the Boston and Maine Railroad Company, nevertheless controlled 53.6 per cent. of the

voting power of the stockholders of the Boston and Maine. Possession of a little over one-half or a bare majority of the shares usually means control of the policy of a corporation. This voting power of the New Haven in the Boston and Maine is greater than the combined voting strength of the remaining 8,104 stockholders. But this is not all. Through this indirect but none the less effective control of 53.6 per cent. of the voting power of the Boston and Maine stockholders, the New Haven, without the ownership of a single share of the stock of the Maine Central Railroad Company, controlled 50.5 per cent., or more than a majority, of the voting power of the Maine Central stockholders. This is greater voting power in the Maine Central in the hands of a single corporation, itself not a stockholder, than is possessed by all the remaining 755 stockholders.

In brief, a single stockholder, and this, too, another corporation — in this case the New York, New Haven and Hartford Railroad Company — on the basis of shares of stock exercises greater voting power in the meetings of stockholders of other corporations than does 99.9 per cent. of the total number of their stockholders. In consequence of this situation, which is nation-wide in its scope and which may be said to be a general practice among corporations, the meeting of the stockholders of the corporation is today the greatest travesty on the principle of representative government of which it is possible to conceive. Such meetings have the form of democracy but none of its substance. By means of this control of a majority of the shares of stock, and through the utter indifference of most stockholders to their duties, not only in their absence from such meetings but also in the practice of signing away their responsibilities through blank proxies, the proceedings are usually "cut and dried" affairs with no adequate presentation or discussion of the vital problems of the industrial state that lie within the jurisdiction of this delegated form of government. And these individual stockholders, as a rule, are consumers whose interest in the just government of the industrial state

is as vital, if not more so, than that of the workers employed by the corporation.

It is at the meeting of the stockholders of a corporation that the board of directors is elected. This board is the government of the corporation to which the stockholders delegate the powers they have received from the State — it is the machinery for the exercise of all the powers vested in the corporation. The election of the board is somewhat analogous in the industrial state to the election by the voters of the political state of their government to which they delegate for a stated period the exercise of the sovereignty of the political state. An important difference is that the government of the political state is selected on the principle of a majoirty of those voting, with each having one vote equal in power to any other single vote, while the board of directors of a corporation, presumably elected by its stockholders, is selected by the owner or owners of a majority of shares of the stock of the corporation. As we have seen, this ownership may be by a single individual or corporation; it may be that the stock is not even owned directly but is controlled by ownership of a majority of the shares of an entirely different corporation.

Thus it has come about in the development of the institutions of the industrial state that a single voter in the stockholders' meeting exercises greater voting power than all the remaining stockholders whose interests may be and not infrequently are antagonistic. In testimony before the House Committee on the Judiciary of the Sixty-third Congress [1] Mr. Samuel Untermeyer expressed the opinon that the oppression of minority stockholders "is one of the greatest evils of the present-day corporate management due to the toleration of the holding company. It is the rule rather than the exception. I might say that it is almost the invariable accompaniment of the holding company. The idea that one corporation should control the policy and the business of another against the protest of an outstanding minority is abhorrent to one's sense of justice, as

[1] Hearings on Bills Relating to Trust Legislation, page 895.

is also the exclusion of the minority from all representation. . . . There is no more important subject within the domain of corporate reform, for it is a crying evil. You may have bought your holdings in an independently conducted company and wake up some fine day to find yourself a victimized minority holder, with the majority holdings in the grip of a corporation with purposes quite alien to the best interests of your company and with no redress. That should no longer be possible."

The injurious effects to the consumer as well as to the worker, which latter is beginning to demand though faintly some kind of representation in industry, inevitably flowing out of this autocratic organization and operation of the corporation are innumerable and widespread. It is not the purpose here, even if the limitations of space did not forbid, to enter into any analysis of the many practices accompanying this control of the corporation that are affecting seriously the economic welfare of the people. But there is one aspect of the situation that must be touched upon.

All the innumerable transactions of the industrial state involving the production of commodities and services, such as purchases, sales, leases, rentals, and so on, are covered by contracts legally enforceable in the courts. Where these contracts are between corporations their terms are determined in the final analysis by the board of directors. In those numerous instances where such contracts exist between corporations whose boards of directors are elected and controlled by the same individual or group of individuals, the effect is exactly the same as it would be if the individual or group entered into a contract with himself or itself.[1] The records of the looting of the New Haven and other corporations abound in instances of such contracts. No court of law in the land would enforce a

[1] "The principal directors of the company (the Central Pacific Railroad Company) all received large salaries as compensation for their various services as president, treasurer, secretary, or manager of the company. It is therefore impossible to find any justification for the

contract an individual makes with himself, and yet in hundreds and thousands of cases where a contract is made between two or more corporations controlled by the same individual or group such contracts receive the sanction of the courts. Thus merely through a legal fiction a contract is enforced in which an individual or group buys from or sells to himself or itself. And in all these cases in the industrial state today private fortunes are being accumulated by the individuals concerned at the expense of the worker in low wages and of the consumer in high prices.

The records of the Interstate Commerce Commission are replete with instances of such questionable transactions. In its report of the New Haven investigation, to which references have already been made, the Commission says of the lease system under which the New Haven has secured control of many of its three hundred and more subsidiary companies: "It must also be evident that under a system of this kind unjust charges may be imposed upon the public without yielding undue returns to the operating company, provided the leases are upon too high a basis. It by no means follows, because the Boston and Maine does not make earnings sufficient to pay its fixed charges, that its rates are too low and should be advanced. There is still the fundamental inquiry, Are the rentals of the Boston and Maine too high? If they are, it may be necessary to readjust those rentals upon some new basis in order that justice may be done to all parties interested. It would be a monstrous proposition that, because at some past day some board of directors of the Boston and Maine had agreed to pay an extravagant price for the use of the lines making up its system, therefore the owners of these properties are for all time entitled to obtain this undue return upon their investment."

transfer to themselves of the entire franchise of this company, represented in its stock, and of a considerable portion of its assets, obtained through contracts made by their own votes."— Report to the President of the United States of the Pacific Railway Commission.

Even though it is a monstrous proposition, it is exactly what is actually happening all over the country. In Philadelphia, for instance, the people are suffering for the lack of adequate street car facilities because the Philadelphia Rapid Transit Company, burdened with such leases and rentals of subsidiary companies which exact exorbitant and extortionate returns, is unable to finance imperatively needed improvements, betterments, and extensions. Private fortunes in Philadelphia, built up through such contracts and by the manipulation of securities between various public utility corporations, are notorious and these private fortunes in large part rest today upon the ability of the Philadelphia Rapid Transit Company to extort from the passenger a fare high enough to meet such charges for rentals to subsidiary companies of leased lines.

Thus the present-day complex, intricate, and wholly and intentionally confusing autocratic industrial system has its existence based upon the legal fiction of the sanctity of contract. Now no one can have greater reverence for contractual relations than has the writer — much of the progress of that which we are prone to call civilization rests on the sacredness of these relations. But the sacrilegious practices of those in control of our corporations with regard to these relations should receive from the public neither respect nor willing obedience. There should be no more sanctity in such a device or subterfuge to escape the just penalty of what in many cases is actual theft than there is in the enforcement of a contract made by an individual with himself, for this is what has actually been done when the legal fiction is stripped away.

# CHAPTER XXIII

## THE ORGANIZATION OF THE CONSUMER

THE European war has forced the American people to open their eyes to a number of manifestations of their national life with regard to which for years they have simply been drifting without any thoughtful consideration as to the goal towards which this drifting was carrying them and their form of government. Among these manifestations are the nature and characteristics of the industrial organization that has grown up for the production, distribution, and consumption of socially produced wealth.

It is not possible here to refer even briefly to its historical development. Today we find accompanying the autocratic exercise of economic sovereignty by a single corporation within its sphere of influence in the industrial state, as already described, that there has developed also a centralization or concentration of economic power through organized relations between groups of corporations by means of intercorporate stock ownership and interlocking directorates. These systems have been described fully and in detail in evidence from official documents presented by the writer before wage arbitration boards appointed by Presidents of the United States and in rate cases before the Interstate Commerce Commission and State public utilities commissions.[1]

[1] Exhibits Submitted Before the Board of Arbitration, Concerted Wage Movement, Eastern Territory, 1913, Order of Railway Conductors and Brotherhood of Railroad Trainmen.

Before the Interstate Commerce Commission, Investigation and Suspension Docket No. 333, in the Matter of Rate Increases in Official Classification Territory, known as the Five Per Cent Case, 1914.

Before the Public Utilities Commission of Ohio in the Matter of In-

The situation at the opening of the twentieth century was that the American people were permitting the unregulated operation of powerful and autocratic national trusts or corporations each in monopoly control of some one or several of the necessities of life. Steel, copper, oil, coal, meat products, sugar, tobacco, and scores of like necessities were being produced in mill and mine and plant by millions of workers at low wages and distributed to consumers at high prices. Partly to keep these wages low aliens were imported from Europe by the shiploads and concentrated in the industrial centers under the most deplorable living conditions; to keep prices high competition was ruthlessly suppressed and where necessary to the purpose of the corporation recourse was had even to control of the courts and Government of the people.

One of the many evil consequences of this was the springing up over night like mushrooms of millionaires and even multimillionaires by the hundreds and thousands, reflecting the rapid accumulation of the largest number of separate private fortunes ever produced before in any similar period of time in the history of the world. These were concealed from the public in greater part under the guise of the corporation. Thus "legal" claim to the use and enjoyment of the wealth of the country as represented in its natural resources became concentrated in the hands of a relatively insignificant number of individuals and families instead of this wealth being widely diffused among all the people in fair wages to the workers and

crease of Intrastate Rates by the Hocking Valley Railway Company.

Before the Public Service Commission of Pennsylvania, Pittsburgh Coal Operators' Association, Complainant, vs. Pennsylvania Railroad Company, et al, 1916.

Before the Interstate Commerce Commission, I. and S. Docket No. 774, Bituminous Coal to Central Freight Association Territory, etc., 1916.

Before the Interstate Commerce Commission, No. 5725, Lake Cargo Coal Rates, 1916.

See also "Intercorporate Railway Stock Ownership" and "Interlocking Directorates," published by the author.

fair prices to the consumers. It was a challenge to our boasted democratic society and its republican institutions which the Government has been unable or at least unwilling to meet. Because of this failure of Government the American workingman has been compelled to revolt against his low wages and for years has been struggling to organize himself in labor unions that would be strong enough to secure to him for his labor a living wage. On this issue great industrial wars or strikes have been and are being waged between the union and the corporation. This was the situation in the industrial state at the outbreak of the European war. It is the situation today only more aggravated by the experience of labor during the war.

The principal object of industrial autocracy through the corporation is monopoly control of wages and prices for the personal profit of those who dominate by means of stock ownership these producing corporations.[1] In consequence there is no provision in the present organization of the corporation for representation of the vital interests of the wage worker, one of the three parties to production.

No one fact stands out more conspicuously in a survey of our industrial state than that the present system of autocratic organization of production has alienated the friendship and loyalty and self-interest of the great mass of wage earners.

[1] Referring to this situation as reflected in the railway transportation field through intercorporate stock ownership the Interstate Commerce Commission says: "The conclusion is indisputable that railway corporations do not purchase railway stock widely for purposes of investment, but that the holdings in the stock of other railways are rather for the purpose of controlling or influencing the management of corporations whose operations are of real concern to the holding company. . . . It is difficult to discover any economic justification for the existence of these holding companies and for their enormous issues of securities. The only rational explanation, as already noted, is their employment as a medium by large financial interests to concentrate and perpetuate control."— Special Report No. 1, Intercorporate Relationships of Railways, Interstate Commerce Commission.

The mere record of strikes and lockouts supplies complete proof of this assertion.

The existence of hundreds of strong and powerful national and international labor unions with their millions of members but emphasizes lost opportunities by our captains of industry in the organization for social ends of our system of production, distribution, and consumption of wealth. The economic welfare of the worker engaged in production, much more so than that of the employer, lies fundamentally in the direction of securing the greatest possible output with the minimum expenditure of capital and labor, and yet the employe has been prevented from following this economic self-interest by the short-sighted policy of the employing class in its distribution of the proceeds of industry. This distribution has been arbitrarily and autocratically controlled by the employing group. It has granted to the worker only that amount which would barely meet his mere physical necessities for food, clothing, and shelter — and quite frequently not enough even for these imperative needs — and has retained for itself all the remaining proceeds of production. In this policy it has completely ignored the loyalty and friendship and cooperation of the worker and thereby has missed the development of a veritable mine of potential wealth. In place of these the employing class has developed the opposition and antagonism of the wage earner. The inevitable result of this policy has been the steady growth in the power of the labor union.

There is no provision in the present autocratic organization of the industrial state, as reflected in the corporation, for representation of the vital interests of the consumer, one of the three parties to production.

Is the short-sightedness of those in charge of the management and direction of our capitalistic system of production to cause history to repeat itself? Are the producers to lose the friendship and loyalty and cooperation of the consumers as they have that of the workers?

There is abundant evidence on all sides that this is the pres-

ent tendency. Profiteering and exploitation on the part of producers, which has been a conspicuous manifestation of the activities of our national life the past six years, will just as certainly in course of time result in the organization of the consumer to protect himself against the injustice of high prices as did like economic forces compel the wage earner to organize against low wages. Unfair distribution of the proceeds of industry, in which all three groups in society are vitally interested, will alienate the consumer as it did the worker. And this organization of the consumer will be as much to the ultimate disadvantage of the producer, if not more so, than is the present organization of the worker. Our recent war experience with profiteers shows quite clearly how easy it is to cause the springing up of housewives' organizations and the like in opposition to high prices. The producers' best friend is the consumer only it is to be feared the average producer of today does not realize this fact.

It is the consuming class which in the final analysis supplies the capital for every business, meets the cost of fixed charges, furnishes the current assets, and balances the pay-roll. In one aspect of the case the employer is merely the employe of the consumer — an agent, self appointed it is true, for supplying the consumer with needed commodities and services. It is commonly believed that wages and like expenses of production are paid by and out of capital supplied by the employer but if the facts are analyzed closely enough it will be found that in the final analysis wages are paid by the consumer out of his contribution to production through prices, except at the initial establishing of the industry, and even in this case, if the means of production prove successful, these wages have merely been advanced by the employer while their cost is ultimately met by the consumer. It can thus be seen how important to the successful conduct of industry is the friendship of the consumer. Its cultivation and retention should be a matter of concern to the manager of industry. If the consumer goes on strike — if he refuses to purchase a particular

commodity — if he exercises his individual or collective power of the boycott — if he transfers his demand to a substitute article — if he in brief organizes his potential power to redress the injustice of high prices, the producer will very soon be confronted by the necessity of closing down his plant or factory just as effectively as is often the case in a successful strike by the workers.

Our present system of corporate organization of production, involving among other practices the issuance of a tremendous amount of fictitious "investment" securities in the process of capitalizing social values for personal or class profit, is of even greater concern to the welfare of the consumer than it has been indicated to be to that of the wage earner. The condition of the "property investment" and "capital obligations" accounts of the railroads previously referred to is taken merely as one of a score or more illustrations of practices that are socially injurious as well as unjust. In the present dangerous situation as regards our railroads we see some of these injurious results of widespread corporation practices. Because of these the investing public has lost all confidence in the railroads and it is extremely difficult for these transportation corporations to secure from investors the capital of which they are in need.

For years there had been a din and clamor in certain influential sections of the public for a so-called valuation of our railroads. Congress finally gave the Interstate Commerce Commission authority to proceed with this valuation. One of the instructions to the Commission in ascertaining this value was to report the original investment. The Commission's experts claim this to be an impossibility and the railway corporations themselves assert that they do not possess the facts. The issuance of securities representing alleged values has had no relation whatever to the amount actually invested in the properties plus services and labor performed and in consequence not millions but billions of paper value have been created upon which the holders wherever possible force a return in dividends

or interest. Such return can only be secured by means of high prices to the consumer. The so-called investment market has literally been flooded with securities by railroad and industrial corporations which today stand as "legal" claims not only upon the earnings of these properties but also upon the properties themselves. Many of these securities are in reality piratical demands or tributes which are exacted every six months and which extort from the consumer a price over and above that necessary to meet the legitimate cost of production. This paper capitalization of values that do not exist and of social values which properly belong to the public is an unjust economic burden upon the consumer. In large part because of it a fair price is an impossibility and an excessive return to alleged investment is the product.

The effects of such practices are in the nature of a blanket mortgage on the annual increase in the nation's production of wealth, interest on which is the payment of an unjust claim. This increase should in justice be partly distributed among all the people in lower prices and higher wages but instead of this process it is being taken from them by the "legalization" of fictitious claims to capital investment. Much of it has been taken in the past through low wages to the workers. But the forces let loose by the European war have released this Titan from his bonds and he has risen to full stature to demand his just share in wealth production. And he demands it with greater assurance than in the past that he will receive his share. He is very likely not only to maintain but also to advance this claim successfully, which means that the burden of a continuance of corporation practices and methods of production will be shifted to the shoulders, or rather to the pocketbooks, of the consumer through high prices. The anthracite industry of Pennsylvania offers convincing proof of such a probability. The consumer, being at present unorganized, will at first be unable to resist and will be subjected to a period of high prices until these exactions become so burdensome as to force him also into organization for self protection. Only

when the worker and the consumer are sufficiently organized, either separately or in combination, and cooperate to resist the unjust claims of organized capital will our democratic society reach that point where justice will be determined as between the "rights" of the capitalist, the worker, and the consumer.

The grim truth of the whole matter at present is that our corporate instrumentalities of production are not organized on a basis that will permit the determination of what is a fair return to capital, a fair wage to labor, and a fair price to the consumer. The basis upon which they are organized is more frequently a high return to the capital invested, and in many cases where there has been no investment of capital, a low wage, and a high price.

The organization of the consumer as an economic group to define and insist upon his rights is the next necessary step before there can be socialization of industrial production for the common welfare. This is preeminently the problem for this generation to work out, as the problem of the last generation was the organization of the worker. He who claims to be able to supply the answer as to how this is to be done is too much of a braggart to be trusted. The forcible taking over by the government of the industries to which are attached a public interest and their "nationalization" or "socialization" so as to wipe out these false values and in so doing restore to the people social values that have been appropriated, thus preventing the continuance of extortionate tributes from the great mass of consumers in high prices, is a policy that is being insisted upon by some. It is based upon the final and ultimate right of revolution against injustice which is inherent in every society and the denial of which would deprive the social organism of its last weapon or instrument of regeneration. But revolution is the means only after all others have failed and we should first turn to the application of our best thought and patriotism to the working out of a plan for a peaceable solution.

Any such plan must take into consideration the fact that the

determination of the return to the owner of capital or to the possessor of labor cannot be left to each of these two interested classes or groups. If it is, then one or both remaining classes will be disadvantageously affected. If the capitalist alone determines the return on his money or investment he is likely to make it too high; if the worker alone determines the wage rate he is to receive it also will likely be too high. Nor can the determination be left solely to the consumer. If the latter alone determines the price of the commodity or service this is likely to be too low to permit of a fair wage and a fair return to capital. Neither can the determination of what is a fair return to capital, a fair wage, or a fair price be left to any two of the three parties interested in production because of the danger of a possible combination of class self-interest. Such determination can be arrived at only through the participation of all three parties in interest.

The capitalist-producer is strongly organized in virtually every industry and in associations of industries for the protection of his economic interest in profits; the worker-producer is likewise organized in powerful local unions and national federations for the safe-guarding of his economic interest in wages. There are not wanting instances where these two economic groups have even formed combinations for mutual exploitation of the interest of the consumer. With the consumer unorganized for the protection of his economic interest in prices, he is relatively weak and defenceless. In consequence, upon him today rests nearly all the cost-burden of production and distribution, and it is because of this that he suffers from under-consumption of the wealth that our industrial system produces.

Up to the present time the consumer has depended and today is dependent almost entirely upon the Government to protect him from the social and individual evils of high prices. He has allowed himself to be regarded as the public. That protection the consumer has not secured. That this is true is reflected in the failure of the efforts of the Wilson Adminis-

tration through the Department of Justice to effect in the slightest degree a reduction in the high cost of living. It is reflected in the inactivity of Congress. It is also shown in the results of the recent bituminous coal miners' strike by which the increase of 27 per cent. in wages granted by the Government commission was taken advantage of by the organized coal operators to increase the price of coal to the consumer even beyond the amount necessary to meet the increase in wages, assuming that this should be borne by the consumer and not out of the excessive profits of the coal operator. It is conclusively demonstrated in the exorbitant earnings of virtually all corporations dealing in the necessaries of life as disclosed in Senate Document Number 259, which latter is a report by the Secretary of the United States Treasury on profiteering during the war as shown in the payment of income and excess profit taxes.

That something is amiss with the working out of the principles of democracy in the United States is indicated so clearly in the daily events of the industrial life of America that even he who runs may read their significance. In the train of the ever-widening circles of increasing prices have followed tendencies which have in them possible developments of far-reaching consequences to the American people. One of these should be the organization of the consumer to protect effectively his economic interests in the production, distribution, and consumption of wealth.

One of the functions of the organization of the consumer is to join hands with the organized wage worker and together demand and enforce the return to the people of the benefits of social values to which industrial autocracy lays unjust claim and of which it is in possession. The instrumentality by means of which these values were appropriated and their benefits are retained by autocracy is the corporation. Like the land "squatter," industrial autocracy has for so long a time been in possession and enjoyment of the returns on these social values that its adherents and beneficiaries now insist